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Modern Illustrative Bookkeeping

INTRODUCTORY COURSE

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INTRODUCTORY.

This book is designed to teach bookkeeping as it is practiced by the best business houses. We have no apology to offer for the innovations in methods, or the deviation from the school forms of balance sheets, statements, loss and gain accounts, etc. We believe the time has arrived when all progressive teachers will welcome practical business methods, even though they supplant long cherished school forms and practices.

In the compilation of this work we beg to acknowledge the courtesies and assistance extended us by Lord & Taylor, New York; John Wanamaker, New York and Philadelphia; Park & Tilford, New York; Baldwin Locomotive Works, Philadelphia; Gimbel Brothers, Philadelphia; Comptroller of Currency, Washington, D. C.; Assistant Secretary of the United States Treasury, New York, and of over a hundred other leading business houses and banks which have cheerfully permitted us to examine their books and whose head bookkeepers have furnished much valuable information.

TO THE STUDENT.

Accuracy is the first essential of business; without it you cannot hope to hold a paying position in the commercial world. Accuracy can be acquired only by painstaking, thoughtful work on your part from the start. Read carefully all instructions, and do just as you are told to do.

Do not make mistakes in simple mathematical operations. Errors in addition, subtraction and multiplication are inexcusable, and will not be tolerated in business. *Verify all additions and multiplications. Know* you are right before you go ahead.

Neatness and Legibility. A neat, legible style of handwriting which can be executed at a fair rate of speed, and absolute legibility in figures, are necessities in the modern office.

The acquirement of these attainments will necessitate constant practice on the part of most students. The script illustrations in the book are excellent models to follow. Do not allow yourself to do careless and slovenly work either in writing or in making figures.

Details. Inability to estimate the importance of a thorough mastery of details is the cause of more failures in life than all other causes combined. Learn to pay attention to the little things. Follow your instructions implicitly; do not be content with doing a thing nearly right, but do it exactly right. Remember, "Perfection is made up of trifles, but perfection itself is no trifle." The successful business man must master multitudinous detail.

Th. R.D
CAC

WILLIAMS & ROGERS SERIES

MODERN ILLUSTRATIVE BOOKKEEPING

DESIGNED AS A TEXT-BOOK FOR

ALL SCHOOLS GIVING A COURSE IN BUSINESS TRAINING

INTRODUCTORY COURSE

BY

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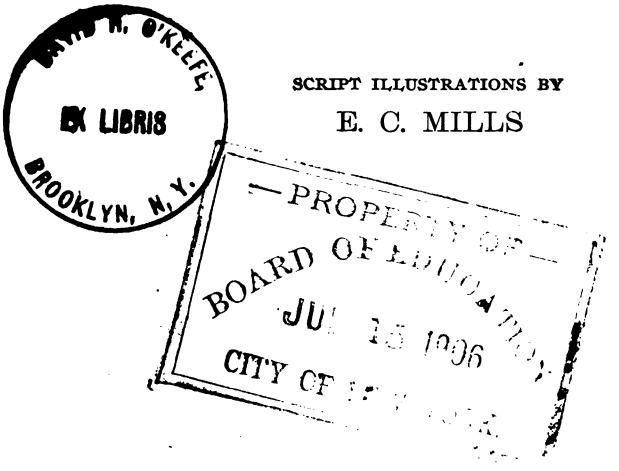
AUTHOR OF MODERN BANKING AND BANK ACCOUNTING

AND

C. T. CRAGIN

SCRIPT ILLUSTRATIONS BY

E. C. MILLS



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MODERN ILLUSTRATIVE BOOKKEEPING.

Bookkeeping is the art, method, or practice of recording business transactions. There are two methods, termed Single Entry and Double Entry.

Object of Bookkeeping.—The object of bookkeeping is to enable the proprietor at any time to determine whether his business is being conducted at a profit or a loss, the sources from which the profits or losses arise, and to afford a record of all debts due and all property belonging to the business and a record of all debts due by the business.

Single Entry Bookkeeping usually provides for keeping accounts with persons only.

Double Entry Bookkeeping provides for keeping accounts with persons, property, expenses and allowances.

Books Required. The books required depend upon the nature of the business, but a complete record of any business may be kept in two books—the Journal-Daybook and the Ledger.

The Journal-Daybook. This book contains a record of each transaction as it takes place, and also the names of the accounts affected by the transaction, showing which accounts are debited and which are credited.

The Ledger. This book contains the names of all accounts occurring in the journal, with all debits from the journal carried to the debit or left-hand side of the ledger accounts, and all credits to the credit or right-hand side, so that a ledger account will show upon its face all transactions by which that account has been affected in the course of the business as recorded in the journal-daybook.

Auxiliary Books.—Every business will keep such auxiliary books of record as the nature of the transactions may require.

WORK FOR THE STUDENT.

No. 1.—Take a sheet of journal paper and carefully copy the model journal shown on pages 6 and 7, following carefully the script forms of both letters and figures.

No. 2.—Take a sheet of ledger paper and carefully copy the model ledger shown on pages 8 and 9, writing four accounts on a page. Be careful to make plain, neat figures. Make the ledger headings larger than ordinary writing, and see that each heading is written in the center of the page, so that the double lines which divide the page into two equal parts will come exactly, or nearly, in the middle of the heading.

Do your very best work both in the journal and ledger exercises, for they will not be accepted unless the writing is legible and neat, and the figures plain.

Present your work to your teacher for examination and approval.

January 1, 190-

1	Cash	A. H. Harper has	3000		
1	A. H. Harper	commenced the			3000
		Flour and Grain			
		business, investing			
		cash $3000.00			
		2			
1	Expense	Paid rent of store	75		
1	Cash	for month of Jan.			75
		3			
1	Mdse.	Bot. of A. H. Roe & Co.	780		
1	Cash	for cash			780
		200 brls. Flour 3.90			
		4			
1	Cash	Sold W. D. Leach	450		
1	Mdse.	for cash			450
		100 brls. Flour 4.50			
		5			
2	J. B. Allen	Sold on account	225		
1	Mdse.	50 brls. Flour 4.50			225
		6			
1	A. H. Harper	Drew for private	50		
1	Cash	use			50
		8			
1	Mdse.	Bot. on acct. 30 ds.	198		
2	J. Grant & Co.	600 bu. Oats 33¢			198
		9			
2	Bills Rec.	Sold A. B. Frye on	338		
1	Mdse.	his note at 20 ds.			338
		50 brls. Flour 4.60			
		300 bu. Oats 36¢			

January 11, 190-

1	Mdse.	Bot. of Garland & Co.		571			
2	Bills Pay.	on my note at 45 ds.				571	
		100 brls. Flour	4.00				
		300 bu. Rye	57¢				
		13					
1	Cash	Recd. on acct.		100			
2	J. B. Allen					100	
		15					
2	J. Grant & Co.	Paid inv. of 8th		198			
1	Cash					198	
		20					
1	Mdse.	Bot. of B. W. Keene		820			
2	Bills Pay.	on my note at 2 ms.				820	
		200 brls. Flour	4.10				
		25					
2	J. B. Allen	Sold on acct. 10 ds.		237	50		
1	Mdse.	50 brls. Flour	4.75			237	50
		31					
1	Expense	Salaries to date		60			
1	Cash					60	

February 1, 190-

1	Cash	A. B. Frye's note		338			
2	Bills Rec.	of Jan. 9				338	
		5					
1	Cash	Sold H. Dennis		357	50		
1	Mdse	for cash				357	50
		50 brls. Flour	4.75				
		200 bu. Rye	60¢				

A. H. Harper

190-						190-				
Jan.	5		1	50		Jan.	1		1	3000

Cash

190-						190-				
Jan.	1		1	3000		Jan.	2		1	75
	4	3550 1163 2387	1	450			3		1	780
	13		2	1500			6		1	50
Feb.	1		2	338			15		1	198
	5		2	357	50		31		1	1650
						Feb.	26		2	75
							27		2	571

Merchandise

190-						190-				
Jan.	3		1	780		Jan.	4		1	450
	8	2369. 1250.50 1118.50	1	198			5		1	225
	11		2	571			9		1	338
	20		2	820			25		2	2370 50
Feb.	12		2	275		Feb.	5		2	357 50
							20		2	158 50

Expense

190-										
Jan.	2		1	75						
	31		2	650						
Feb.	26		2	75						

Bills Receivable

190-						190-					
Jan.	9		1	338		Feb.	1		2	338	
Feb.	20		2	158	50						

Bills Payable

190-						190-					
Feb.	27		2	571		Jan.	11		2	571	
							20		2	820	

J. B. Allen

190-						190-					
Jan.	15		1	225		Jan.	13			100	
	25		2	237	50						

J. Grant & Co.

190-						190-					
Jan.	15		2	198		Jan.	8		1	198	
						Feb.	12		2	275	

WORK FOR THE STUDENT.

GENERAL RULES FOR DEBITING AND CREDITING.

Rule 1.—*DEBIT what the business receives, or what costs value.*

Rule 2.—*CREDIT what the business disposes of, or what produces value.*

TO BE ENTERED IN THE JOURNAL-DAYBOOK.

Make the entries required by the following transactions similar in form to those shown in model journal-daybook on pages 6 and 7.

No. 1.—JANUARY 1, 190–. I (your name) engage in the Flour and Grain business, investing cash, $4000.

INSTRUCTIONS.—Whatever the business receives, or what comes into the business, should be debited; that is, it should be entered on the left-hand side of your journal-daybook. In this instance the business has received cash to the amount of $4000, hence *Cash* should be debited.

Whatever the business disposes of, or whatever produces value to the business, should be credited; that is, it should be entered on the right-hand side of your journal-daybook. In this instance the proprietor has produced, or given, value to the business to the amount of $4000 by making an investment, hence the *Proprietor* should be credited.

The following illustrates the form of the entry, though the amounts and explanation are different:

January 1, 190–

Cash	Commenced the	3500		
F. W. Leonard	Flour and Grain			3500
	business, investing			
	cash.			

Make an entry in your journal-daybook according to the above form. Write your name instead of that of F. W. Leonard, and place *$4000* opposite Cash, and *$4000* opposite your name, instead of the amounts shown in model. The amount placed in the left-hand column of your journal-daybook should be the same as that placed in the right-hand column; in other words, your debits and credits should always be equal.

The name of the account debited is placed near the vertical lines at the left, and the amount placed in the left-hand money column.

The name of the account credited is written one line below the debit, and about three-fourths of an inch farther to the right. The credit amount is placed in the right-hand money column.

Rule 3.—*Debit CASH for all cash received.*

The term "cash" includes specie (gold, silver, nickel and bronze), treasury notes, national bank notes, gold and silver certificates, checks, post-office money orders, express money orders, bank drafts, and certificates of deposit.

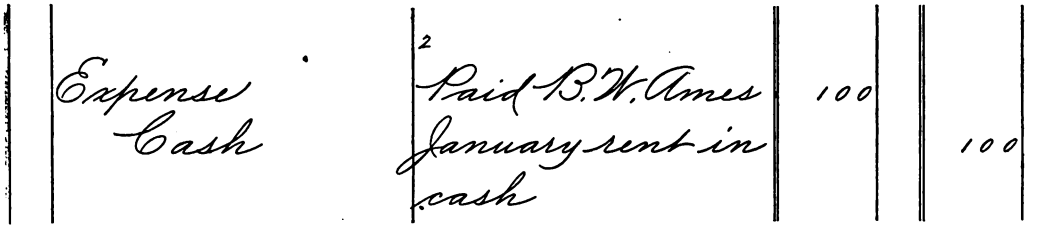
Rule 4.—*Credit the* PROPRIETOR *with all amounts which he invests in the business.*

No. 2.—JANUARY 2, 190–. Paid J. C. Smith $75 for one month's rent of store.

INSTRUCTIONS.—Whatever costs the business value should be debited. In this instance you have paid $75 rent for the benefit of the business. Rent has cost the business value. It is an expense to the business, hence *Expense* should be debited.

Cash has been disposed of. It has produced value to the business; that is, it has been used by you to pay the rent of your store, hence *Cash* should be credited.

The following illustrates the form of your entry, though the amounts and explanation are different.



Before attempting to make the above entry, examine the model journal-daybook on page 6 so as to be sure of the form and arrangement. Do not copy the illustrations, but make entries similar to them. Your entries must be made for the transactions given, and your amounts must be the amounts given in the transactions, and not the amounts shown in the illustrations. Leave one blank line after each transaction, and write the date in the center of this line, using ditto marks if the date be the same as that of the preceding transaction.

Rule 5.—*Debit* EXPENSE *for all expenses of the business.*

The expenses of a business include such items as outlays for rent, postage stamps, stationery, fuel, light, clerk hire, etc.

Rule 6.—*Credit* CASH *for all amounts which are paid out, or taken from the business.*

No. 3.—JANUARY 2, 190–. Bought of Scrantom & Wetmore, books and stationery for office use, for which I paid cash, $15.

INSTRUCTIONS.—This transaction is of the same nature as the preceding one. Debit *Expense* (see rule 5); credit *Cash* (see rule 6).

In the right-hand half of the wide space in your journal-daybook is written a complete record of the transaction. This record should be as brief as possible, yet it must show exactly what took place, for should any dispute arise it is this record and not the journal entry nor ledger record that will be used as evidence.

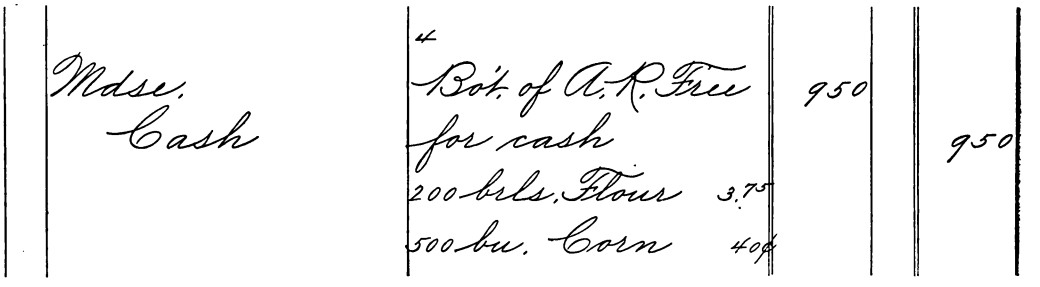
No. 4.—JANUARY 3, 190–. Bought of the Upton Coal Co. for cash, for use in store, 5 tons of coal at $5.50 per ton; total, $27.50.

INSTRUCTIONS.—As the coal is to be used for fuel, it becomes an expense to the business. Make entry similar to transactions Nos. 2 and 3. Determine the debit by reading rule 5; determine the credit by reading rule 6.

No. 5.—JANUARY 3, 190–. Paid postmaster $10.50 for 500 stamped envelopes.

No. 6.—JANUARY 4, 190–. Bought of P. D. Hamlin, for cash, 100 brls. flour at $3.90 per brl., 400 bu. oats at 35¢ per bu.; total, $530.

INSTRUCTIONS.—Goods which you buy with the intention of selling are called "merchandise." You have bought $530 worth of flour and oats for this purpose, hence *Merchandise* should be debited. You have paid out or disposed of cash to the amount of $530, hence *Cash* should be credited. The following is the form of your entry, though the amounts and explanation are different.



Rule 7.—*Debit* MERCHANDISE *for all goods which you buy for the purpose of selling.*

No. 7.—JANUARY 4, 190–. Bought of Charles A. Hubbard, for cash, 1000 bu. oats at 30¢ per bu.; total, $300.

INSTRUCTIONS.—This transaction is similar to the preceding one. *Merchandise* should be debited (see rule 7); *Cash* should be credited (see rule 6).

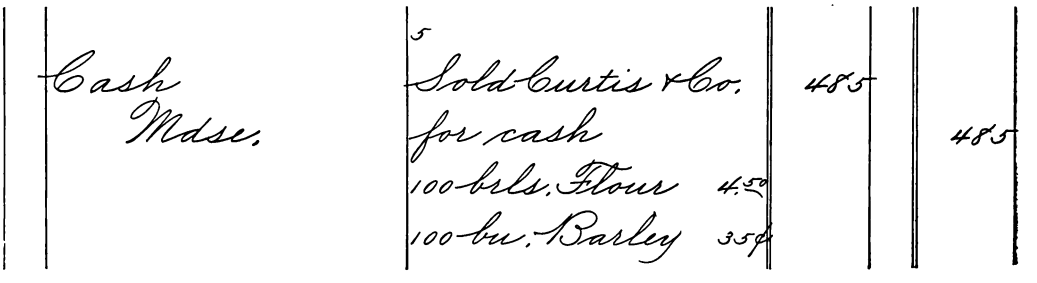
No. 8.—JANUARY 4, 190–. Bought of M. F. Lynch, for cash, 500 bu. corn at 35¢ per bu.; total, $175.

INSTRUCTIONS.—Make entry similar to transaction No. 6. Determine the debit by reading rule 7; determine the credit by reading rule 6.

No. 9.—JANUARY 4, 190–. Bought of H. P. Dennis & Co., for cash, 100 bu. rye at 50¢ per bu., 50 brls. flour at $4.10 per brl.; total, $255.

No. 10.—JANUARY 5, 190–. Sold Wilson Bros., for cash, 100 bu. rye at 60¢ per bu., 50 brls. flour at $4.50 per brl.; total, $285.

INSTRUCTIONS.—*Cash* should be debited when it is received, or comes into the business; and *Merchandise* should be credited when it is sold, or goes out of the business. The following illustrates the form of your entry, though the amounts and explanation are different.



Rule 8.—*Credit* MERCHANDISE *for all goods which you sell.*

No. 11.—JANUARY 6, 190–. Sold H. A. Harvey, for cash, 400 bu. oats at 35¢ per bu.; total, $140.

INSTRUCTIONS.—Make entry similar to preceding transaction. Determine the debit by reading rule 3; determine the credit by reading rule 8.

No. 12.—JANUARY 6, 190–. Sold W. D. Menter, for cash, 200 bu. corn at 40¢ per bu.; total, $80. (Entry similar to transaction No. 10.)

No. 13.—JANUARY 6, 190–. Sold J. B. Hamill, for cash, 200 bu. oats at 36¢ per bu., 100 bu. corn at 40¢ per bu.; total, $112.

POSTING.

At such times as may be convenient, the bookkeeper transfers the items from his journal (in which they have been entered daily as the transactions have occurred) to the ledger.

Transferring entries from the journal to the ledger is called "posting," and when completed all the debit cash items in the journal will appear on the debit side of the Cash account in the ledger, and the credit cash items in the journal will appear on the credit side of the Cash account in the ledger. (See Cash account in model ledger, page 8.) All debit merchandise items in the journal will appear on the debit side of the Merchandise account in the ledger, and all credit merchandise items in the journal will appear on the credit side of the Merchandise account in the ledger; and the same will be true of Expense account, the proprietor's account, and such other accounts as the business may have.

There is no stated time at which posting should be done. In the busy office it is generally done at odd times, when the bookkeeper is not otherwise occupied, but it must be completed at the close of each month, in order to take a trial balance.

When posting, the utmost care should be exercised that all debit items be carried to the debit side of the proper accounts in the ledger, and all credit items to the credit side of the proper accounts in the ledger.

It is quite a common error to post a debit item to the credit side, or a credit item to the debit side of an account, especially when the student is taught to post alternate debits and credits. The practical bookkeeper rarely posts in this manner, but instead posts first all his debits, then all his credits. As he is at all times posting to only one side of the ledger, he reduces to the minimum the danger of posting an amount to the wrong side of an account.

Opening Ledger Accounts.—Examine the model ledger on page 8, and notice the form and arrangement of the accounts. Take a sheet of ledger paper and open accounts as follows: At the top of the first page write your own name. (For form, see account of A. H. Harper in model ledger, page 8.) See that each name is in the center of the page. On the fifth line below write *Cash;* 12 lines below Cash write *Merchandise;* 12 lines below Merchandise write *Expense.* Number your journal page 1; number your ledger page 1.

SUCCESSIVE STEPS.

FIRST STEP.—All amounts in the debit money column of your journal are carried to the left-hand or debit side of your ledger. All amounts in the credit money column of your journal are carried to the credit or right-hand side of your ledger.

The first item on the debit side of your journal is *Cash;* the amount is *$4000.* Turn to the Cash account in your ledger and write the amount on the debit side of this account. Place the page of the journal (1) in the folio column of the ledger, and write the date on

which the journal entry was made (Jan. 1) in the date column of the ledger, placing the current year above the first entry in the date column for the purpose of indicating the year. The following illustrates the form of your ledger entry.

Cash

'90- Jan.	1			1	4000				

Next enter the page of the ledger (1) in the folio column of the journal. The following illustrates the form.

1	Cash	Commenced the Flour and Grain business investing cash	4000		
	Student's name				4000

In posting always place the number of the page of the journal from which the amount is posted in the folio column of your ledger, and place the number of the page of your ledger on which the account is written in the folio column of your journal. This is termed "postmarking."

SECOND STEP.—All the debits in your journal should be posted first, then the credits.

The next debit item in your journal is *Expense;* the amount is *$75*. Turn to your Expense account in the ledger and write *$75* in the amount column. Place the page of the journal (1) in the folio column, and the date of the transaction (Jan. 2) in the date column. The following illustrates the form of your ledger entry.

Expense

'90- Jan.	2			1	75				

Place the page of your ledger (1) in the folio column of your journal. (For form of entry, see illustration of journal in first step; also see model journal on page 6.)

THIRD STEP.—The next item on the debit side of your journal is *Expense;* the amount is *$15*. Turn to the Expense account in your ledger and place the amount on the debit side, writing the page of the journal in the folio column of the ledger, and the date (Jan. 3) in the date column of the ledger. The following illustrates the form of the entry, showing the Expense account as it should appear in your ledger at the present time.

Expense

190-																			
Jan	2			1		75													
	3			1		15													

Write the page of the ledger in the folio column of your journal.

FOURTH STEP.—The next item on the debit side of your journal is *Expense;* the amount is *$27.50*. Post this to your ledger, as previously instructed. The following illustrates the form of an Expense account with three items entered thereon.

Expense

190-																			
Jan	2			1		75													
	3			1		15													
	3			1		27	50												

FIFTH STEP.—The next item on the debit side of your journal is *Expense;* the amount is *$10.50*. Post as before to the left-hand side of Expense account in the ledger. Do not neglect to place the ledger page in the folio column of your journal.

SIXTH STEP.—The next item on the debit side of your journal is *Merchandise;* the amount is *$530*. Post this to your ledger as previously instructed. The following illustrates the form of the entry.

Merchandise

190-																			
Jan	4			1		530													

SEVENTH STEP.—The next item on the debit side of your journal is *Merchandise;* the amount is *$300*. Post this to your ledger according to previous instructions.

The following illustrates the form of the Merchandise account as it should appear in your ledger at the present time.

Merchandise

190-													
Jan.	4			1	530								
	4			1	300								

EIGHTH STEP.—The next item on the debit side of your journal is *Merchandise;* the amount is *$175*. Post this to the debit side of your Merchandise account.

The following illustrates the form of the Merchandise account as it should appear in your ledger at the present time.

Merchandise

190-													
Jan.	4			1	530								
	4			1	300								
	4			1	175								

NINTH STEP.—The next item on the debit side of your journal is *Merchandise;* the amount is *$255*. Post this to the debit side of your Merchandise account.

TENTH STEP.—The next item on the debit side of your journal is *Cash;* the amount is *$285*. Post this to the debit side of your Cash account.

The following illustrates the form of the Cash account as it should appear in your ledger at the present time.

Cash

190-													
Jan.	1			1	4000								
	5			1	285								

ELEVENTH STEP.—The next item on the debit side of your journal is *Cash;* the amount is *$140*. Turn to the Cash account in your ledger and make entry on the debit side, placing *$140* in the amount column, the page of your journal in the folio column, the date of the transaction (Jan. 6) in the date column. Place the ledger page in the journal folio column.

TWELFTH STEP.—The next item on the debit side of your journal is *Cash;* the amount is *$80*. Post this amount to the debit side of the Cash account in your ledger.

THIRTEENTH STEP.—The next and last item on the debit side of your journal is *Cash;* the amount is *$112*. Post this to the debit side of the Cash account, as previously instructed.

You should now have five items on the debit side of your Cash account; namely, $4000, $285, $140, $80, and $112. All the items on the debit or left-hand side of your journal have now been transferred to the debit or left-hand side of your ledger.

FOURTEENTH STEP.—As you have finished posting the debit items, you should next post the credit items of your journal to the credit or right-hand side of your ledger.

The first credit item in your journal is that in which you are credited with your investment, *$4000*. This should be transferred to your account on the credit side of the ledger. The following illustrates the form of the ledger entry.

Student's Name.

					190-				
					Jan.	1		1	4000

Be sure to place the page of your ledger in the folio column of the journal immediately preceding your name.

FIFTEENTH STEP.—The next credit item in your journal is *Cash;* the amount is *$75*. Transfer the amount to the credit side of the Cash account in the ledger.

The following illustrates the form of the Cash account in your ledger as it should appear at the present time.

Cash

190-					190-				
Jan.	1		1	4000	Jan.	2		1	75
	5		1	285					
	5		2	140					
	5		2	80					
	5		2	112					

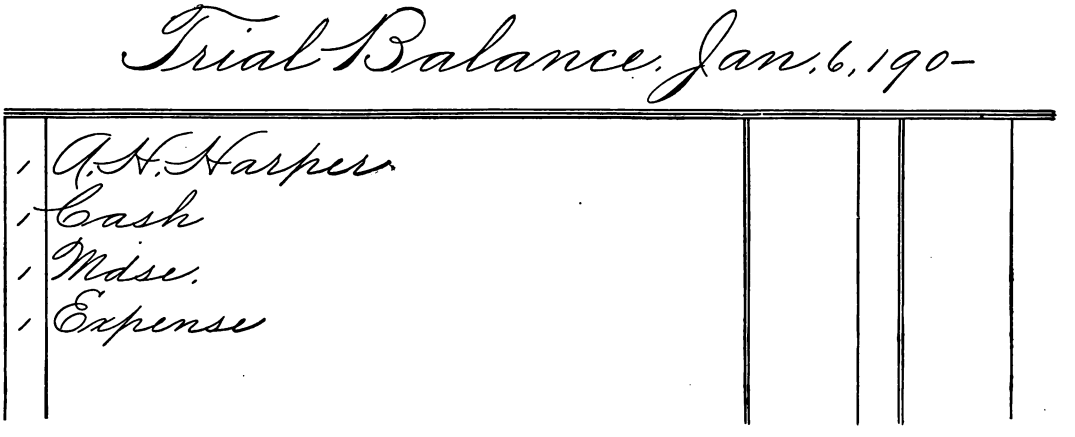
SIXTEENTH STEP.—Transfer the remaining credit items of your journal-daybook to your ledger. (For form of ledger showing accounts with several items entered thereon, see model on page 8.) The Cash account in your ledger will contain eight credit amounts, and the Merchandise account four credit amounts.

All the credit items of your journal have now been transferred to the credit or right-hand column of your ledger.

As the amounts in the debit and credit columns of the journal are equal, it is evident, if you have made no mistake in transferring the entries, that the amounts on the debit and credit sides of your ledger must also be equal; that is, that the sum of the amounts on the debit side of your ledger should equal the sum of the amounts on the credit side of your ledger. To ascertain if this is true, we take what is known as a trial balance.

TRIAL BALANCE.

Take a sheet of journal paper, write the words *Trial Balance* at the top, and under it, at the left, write the names of all the accounts that appear in your ledger, with the ledger page in the folio column. The following illustrates the form.



The names of the accounts in the left-hand column must be the names of the accounts in your ledger.

The footing of the debit side of all the accounts in your ledger must be entered in the debit or left-hand column of your trial balance. The footing of the credit side of all the accounts in your ledger must be entered in the credit or right-hand column of your trial balance.

The first account in the ledger is the proprietor's (your own) account. There is nothing on the debit side, hence no entry will be made in the debit column of your trial balance. There is *$4000* on the credit side of your account. Enter this amount ($4000) in the credit or right-hand column of your trial balance. The following illustrates the form; the amount is different.

Trial Balance Jan. 6, 190-

1	Student's name		3000
	Cash		
	Merchandise		
	Expense		

Find the sum of the several items on the debit side of your Cash account, and write the amount in small, light lead-pencil figures.

The following illustrates the form of a Cash account properly footed; the amounts are different from those shown in your Cash account.

Cash

190-				190-			
Jan.	1	1	3000	Jan.	5	1	200
	4	1	225		6	2	75
	6	2	740		7	2	1356
	7	2	62				1631
	10	3	150				
			4177				

Transfer the debit footing of your Cash account ($4617) to the debit column of your trial balance, writing the amount directly opposite the word *Cash*.

Foot the credit side of your Cash account and transfer the footing ($1388) to the credit column of your trial balance directly opposite the word *Cash*. The following illustrates the form; the amounts are different.

Trial Balance Jan. 6, 190-

1	Student's name		3000
1	Cash	4177	1631
	Merchandise		
	Expense		

Foot the debit and credit sides of your Merchandise account, writing the footing in lead-pencil figures, as previously explained. Transfer the footing of the debit side to the debit column of your trial balance, and the footing of the credit side to the credit column of your trial balance.

Foot the debit side of your Expense account, and transfer the footing to the debit side of your trial balance. There is nothing on the credit side of your Expense account. (For form of complete trial balance having amounts entered thereon, see below.)

Add both the debit and the credit columns of your trial balance; the footings should be equal. If the footings of the debit and credit columns of your trial balance are not equal, it is evident that an error has been made, and you should review your calculations and find the mistake.

The following is the form of a trial balance containing the same number of items found in your trial balance. The amounts are different.

Trial Balance, Jan. 6, 190-

1	A. H. Harper.		3000
1	Cash	6200	5100
1	Mdse.	6100	4342
1	Expense	142	
		12442	12442

NOTE.—All ruling should be done in red ink unless otherwise instructed by the teacher.

The footing of your trial balance should be $6005.

Present your journal, ledger and trial balance to your teacher for approval. Do not attempt any further work until your teacher certifies to the correctness of what you have already done.

QUESTIONS.

1. Define double entry bookkeeping.
2. What books are required to make a complete record of any business?
3. What should the journal-daybook contain?
4. What should the ledger contain?
5. What is the general rule for debits? For credits?
6. What does the term "cash" include?
7. When should the Cash account be debited?
8. When should the Expense account be debited?
9. What items should be charged to the Expense account?
10. When should the Cash account be credited?

11. What do you understand by the term "merchandise"?
12. When should the Merchandise account be debited?
13. When should the Merchandise account be credited?
14. Define posting.
15. When should posting be done?
16. Upon which side of the ledger accounts should all items in the left-hand money column of the journal appear? Upon which side, all those in the right-hand money column of the journal?
17. What is the object of a trial balance?
18. How often should a trial balance be taken?
19. What names should appear in a trial balance?
20. Why should the debit and credit columns of a trial balance show equal footings?

WORK FOR THE STUDENT.

To be Entered in the Journal-Daybook.

No. 1.—February 1. I (your name) engage in the Flour and Grain business, investing cash, $2500.

Instructions.—Write *February 1* at the top of your journal-daybook (see model, page 6). Determine the debit by reading rule 3, page 10; determine the credit by reading rule 4, page 11. For form of entry similar to this, see transaction No. 1, page 10.

No. 2.—February 2. Paid Henry Jones one month's rent of store, in cash, $50.

Instructions.—Determine the debit by reading rule 5, page 11; determine the credit by reading rule 6, page 11. For form of entry similar to this, see transaction No. 2, page 11.

No. 3.—February 3. Bought of R. C. Thompson, for cash, 200 brls. flour at $4 per brl.; total, $800.

Instructions.—Determine the debit by reading rule 7, page 12; determine the credit by reading rule 6, page 11. For form of entry similar to this, see transaction No. 6, page 12.

No. 4.—February 4. Sold A. H. Warren, for cash, 50 brls. flour at $4.50 per brl.; total, $225.

Instructions.—Determine the debit by reading rule 3, page 10; determine the credit by reading rule 8, page 12. For form of entry similar to this, see transaction No. 10, page 12.

No. 5.—February 6. Bought from Winter Bros., for cash, 600 bu. of corn at 35¢ per bu.; total, $210. (Entry similar to transaction No. 3.)

No. 6.—February 7. Sold Wm. Archer & Co., for cash, 50 brls. flour at $4.50 per brl., 200 bu. corn at 40¢ per bu.; total, $305. (Entry similar to transaction No. 4.)

No. 7.—February 8. Bought of Arthur McMillan, for cash, 100 brls. flour at $3.90 per brl., 1200 bu. oats at 33¢ per bu.; total $786. (Entry similar to transactions Nos. 3 and 5.)

No. 8.—February 9. Paid clerk hire, in cash, $15, insurance, $10; total, $25. (Determine the debit by reading rule 5, page 11.)

No. 9.—February 10. Sold E. H. French & Co., for cash, 25 brls. flour at $4.50 per brl., 300 bu. oats at 38¢ per bu., 200 bu. corn at 40¢ per bu.; total, $306.50.

No. 10.—February 12. Bought of John C. Cornell, for cash, 200 bu. rye at 55¢ per bu.; total, $110.

No. 11.—Open the following accounts in your ledger, leaving space as indicated. (Student's name), top of page 1. Merchandise, 11th line, page 1. Expense, top of page 2. Cash, top of page 3.

No. 12.—Post the transactions from your journal-daybook to your ledger. For explanation of posting, see page 13.

No. 13.—Take a trial balance from your ledger. See form and explanation on page 18.

No. 14.—Submit your journal-daybook, ledger and trial balance to your teacher for inspection and approval.

GENERAL RULE FOR PERSONAL ACCOUNTS.

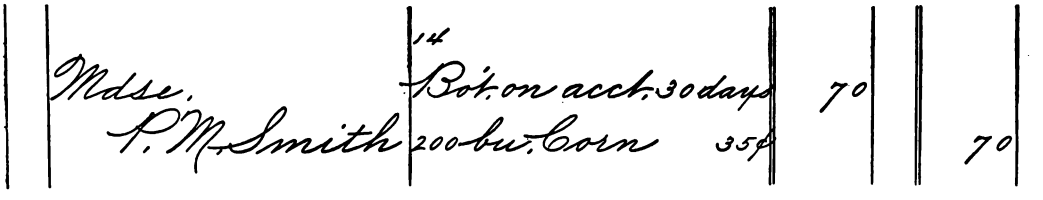
Persons are DEBITED *when they become indebted to the business, or when the business pays them on account.*

Persons are CREDITED *when the business becomes indebted to them, or when they pay the business on account.*

Enter the following transactions in your journal-daybook, commencing directly under those that you have previously entered for the month of February.

No. 15.—FEBRUARY 14. Bought of A. J. Lane, on account, 30 days, 250 bu. oats at 33¢ per bu.; total, $82.50.

INSTRUCTIONS.—Whenever you buy goods from a person without paying for them at the time of purchase, the goods are said to be bought on account, and the person from whom you buy should be credited, because he has produced value to your business by delivering to you a certain quantity of goods. In this instance you have received merchandise, hence *Merchandise* should be debited. The merchandise was purchased from A. J. Lane, who merely has your oral or implied promise to pay, hence *A. J. Lane* should be credited. The following illustrates the form of your entry, though the amounts and explanation are different.



Rule 9.—*Whenever you purchase goods without paying for them at the time of purchase, credit the* PERSON *from whom the goods are bought.*

No. 16.—FEBRUARY 15. Bought of W. H. Stevens, on account, 600 bu. oats at 33¢ per bu.; total, $198.

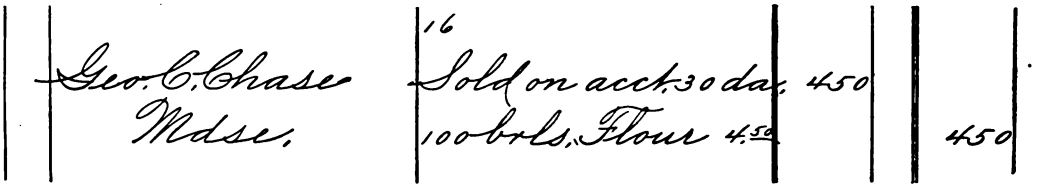
INSTRUCTIONS.—This transaction is similar to the preceding one. Debit *Merchandise* (see rule 7); credit *W. H. Stevens* (see rule 9).

No. 17.—FEBRUARY 15. Bought of F. A. Smith & Co. on account, 10 days, 300 bu. rye at 55¢ per bu.; total, $165. (Determine the debit by reading rule 7; determine the credit by reading rule 9.)

No. 18.—FEBRUARY 16. Sold W. A. Scott on account, 10 days, 200 bu. oats at 36¢ per bu.; total, $72.

INSTRUCTIONS.—Whenever you sell merchandise without receiving payment therefor at the time of sale, the goods are said to be sold on account, and the person to whom the goods are sold should be debited. In this instance W. A. Scott has purchased from you $72 worth of merchandise without making payment therefor; you simply have his oral or

implied promise to pay. W. A. Scott has cost the business value; that is, he has received merchandise from your business, hence *W. A. Scott* should be debited and *Merchandise* credited. The following illustrates the form of your entry, though the amounts and explanation are different.



Rule 10.— *Whenever you sell goods without receiving payment therefor at the time of sale, debit the* PERSON *to whom the goods are sold.*

No. 19.—FEBRUARY 17. Sold S. A. Dodge & Co. on account, 60 days, 50 brls. flour at $4.75 per brl.; total, $237.50.

INSTRUCTIONS.—This transaction is similar to the preceding one. Debit *S. A. Dodge & Co.* (see rule 10); credit *Merchandise.*

No. 20.—FEBRUARY 17. Sold J. S. Sumner, on account, 500 bu. rye at 60¢ per bu., 500 bu. oats at 36¢ per bu., 600 bu. corn at 40¢ per bu.; total, $720. (Determine the debit by rule 10; determine the credit by rule 8.)

No. 21.—FEBRUARY 19. Sold E. H. French & Co. on account, 10 days, 50 brls. flour at $4.60 per brl., 200 bu. oats at 36¢ per bu., 100 bu. corn at 40¢ per bu.; total, $342.

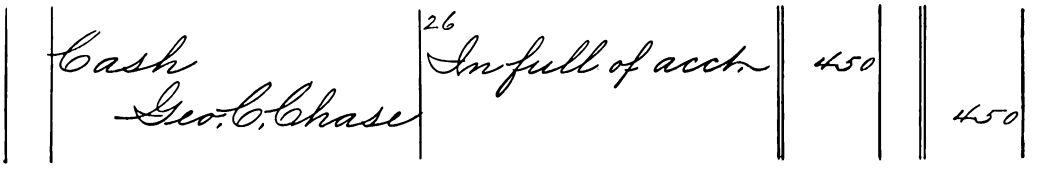
No. 22.—FEBRUARY 20. Sold E. B. Adams, for cash, 400 bu. oats at 38¢ per bu.; total, $152. (Determine the debit by rule 3; determine the credit by rule 8.)

No. 23.—FEBRUARY 23. Bought of Rice, Miller & Co. on account, 30 days, 250 bu. rye at 57¢ per bu., 600 bu. corn at 35¢ per bu.; total, $352.50. (Entry similar to transaction No. 15.)

No. 24.—FEBRUARY 24. Sold Roberts Bros., for cash, 200 bu. rye at 60¢ per bu.; total, $120.

No. 25.—FEBRUARY 26. W. A. Scott has paid you $72 cash in full settlement of his account.

INSTRUCTIONS.—In transaction No. 18 W. A. Scott became indebted to you to the extent of $72. He now pays this amount, thus getting out of your debt. He has produced value to the business to the amount of $72 by giving you cash, hence *Cash* should be debited and *W. A. Scott* credited. The following illustrates the form of your entry, though the amounts are different.



Rule 11.—*Whenever a person pays you on account, credit that* PERSON.

No. 26.—FEBRUARY 26. Received cash of J. S. Sumner, $100, to apply on account.

INSTRUCTIONS.—This transaction is similar to the preceding one, with the exception that the explanation should read *To apply on account* instead of *In full of account.*

No. 27.—FEBRUARY 27. Paid A. J. Lane cash, $82.50, in settlement of his account to date.

INSTRUCTIONS.—In transaction No. 15 you became indebted to A. J. Lane to the amount of $82.50. You now get out of his debt by paying him in cash; thus A. J. Lane costs the business value, hence *A. J. Lane* should be debited; cash has been disposed of, hence *Cash* should be credited.

The following illustrates the form of your entry, though the amounts are different.

	P. M. Smith	27	In full of acct	70	
	Cash.				70

Rule 12.—*Whenever you pay a person on account, debit that* PERSON.

No. 28.—FEBRUARY 28. Paid W. H. Stevens cash, $100, to apply on account.

INSTRUCTIONS.—Make entry similar to preceding transaction, with exception that the explanation should read *To apply on account* instead of *In full of account.*

No. 29.—FEBRUARY 28. Received cash of E. H. French & Co., $342, in payment of bill of 19th inst. (Entry similar to transaction No. 25.)

No. 30.—FEBRUARY 28. Sold Emerson & Sons, on account, 100 bu. corn at 40¢ per bu., 60 brls. flour at $4.50 per brl., 100 bu. oats at 35¢ per bu.; total, $345. (Determine the debit by rule 10; determine the credit by rule 8.)

No. 31.—FEBRUARY 28. Paid for postage and advertising $12, cash. (Determine the debit by rule 5; determine the credit by rule 6.)

No. 32.—Open the following new accounts in your ledger, leaving space as indicated. W. A. Scott, 11th line, page 4. S. A. Dodge & Co., 22d line, page 4. J. S. Sumner, 33d line, page 4. E. H. French & Co., top of page 5. Emerson & Sons, 11th line, page 5. A. J. Lane, 11th line, page 7. W. H. Stevens, 22d line, page 7. F. A. Smith & Co., 33d line, page 7. Rice, Miller & Co., top of page 8.

No. 33.—Post the entries from your journal-daybook to your ledger, according to instructions given on page 13. Do not open new accounts in your ledger with Cash, Merchandise, and Expense, but post the items under the old accounts, as this is simply a continuation of your business.

The following illustrates the form of a Merchandise account, showing how it should appear in the ledger with the pencil footings for the first trial balance. (This is not your Merchandise account).

Merchandise

190-					190-				
Feb.	2		1	1800	Feb.	3		1	650
	5		2	740		7		2	1590
	9		2	1600		10		2	325
	15		3	725		12		3	275
	24		4	1475		19		4	745
	28		5	628		25		4	387
						27		5	420

DIRECTIONS FOR CHECKING FROM JOURNAL TO LEDGER.

In order to avoid mistakes in posting, many bookkeepers check every item from the journal to the ledger after it has been posted. As you have completed the posting for the month of February, you may check your entire journal to your ledger. On page 1 of your journal you find the item *Cash, Dr., $2500.* Put a small check mark opposite the $2500, as shown in the following form.

January 1, 190-

Cash	Commenced the	3500		
F. W. Leonard	Flour and Grain			3500
	business, investing			
	cash			

Turn to the Cash account in your ledger; the *$2500* should appear as the first entry on the debit side of the Cash account. If you find it there, place a small check mark opposite the $2500 as shown in the following form

Cash

190-									
Jan.	1		1	3500					

Check all your debits first. See that each debit item in the journal has been carried to the debit side of the account named in the ledger, and place a check mark against each account both in the journal and in the ledger. Check the credit items in the same manner.

If any posting has been omitted, you will discover it in the checking; or if any item has been posted twice, or to the wrong side of an account, it will appear unchecked and will thus be detected. This process of checking requires a little extra time, but it prevents many errors in trial balances, and the student will find it a profitable exercise.

A hard, sharp-pointed pencil should be used for checking and for pencil footings in the ledger. Make your figures and check marks light.

No. 34.—Foot your ledger in light lead-pencil figures, as explained on page 19, and take off a trial balance, as explained on page 18. Your trial balance must show the footings of each account in your ledger. When accounts balance they should be omitted from the trial balance.

No. 35.—Submit your journal-daybook, ledger and trial balance to your teacher for examination and approval.

CONTINUATION OF FEBRUARY BUSINESS.

To be Entered in the Journal-Daybook.

No. 36.—March 1. Bought of H. S. Clough & Co. on account, 10 days, 200 brls. flour at $4.05 per brl., 1000 bu. oats at 30¢ per bu.; total, $1110. (Entry similar to transaction No. 15, page 23.)

No. 37.—March 2. Sold Wm. Archer & Co. on account, 30 days, 500 bu. oats at 38¢ per bu., 50 bu. rye at 60¢ per bu.; total, $220. (Entry similar to transaction No. 18, page 23.)

No. 38.—March 3. Paid Rice, Miller & Co. cash, $352.50, in payment of invoice of February 23d. (Entry similar to transaction No. 27, page 25.)

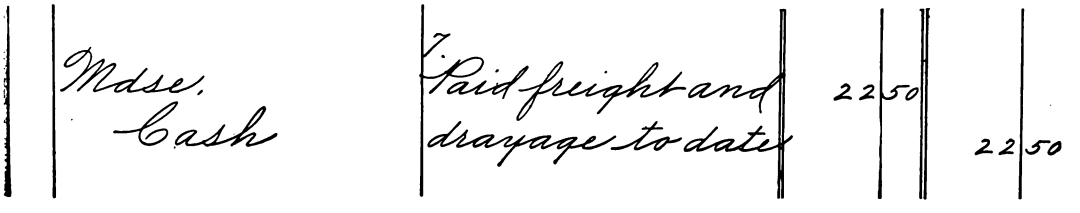
No. 39.—March 3. Received cash of Emerson & Sons, to apply on account, $250. (Entry similar to transaction No. 26, page 25.)

No. 40.—March 5. Paid H. S. Clough & Co. cash, on account, $500. (Determine the debit by rule 12; determine the credit by rule 6.)

No. 41.—March 6. Bought of Kiddel & Hill on account, 60 days, 1000 bu. corn at 34¢ per bu.; total, $340. (Determine the debit by rule 7; determine the credit by rule 9.)

No. 42.—March 7. Paid cash for freight and drayage to date, $15.

Instructions.—Cash paid for freight, cartage, drayage, etc., is a part of the cost of your merchandise, hence *Merchandise* should be debited and *Cash* credited. The following illustrates the form of your entry, though the amounts are different.



Rule 13.—*Debit* MERCHANDISE *for all amounts paid for freight, express, cartage, drayage, etc.*

No. 43.—MARCH 8. Sold E. H. French & Co. on account, 10 days, 300 bu. corn at 40¢ per bu., 400 bu. oats at 38¢ per bu.; total, $272. (Determine the debit by rule 10; determine the credit by rule 8.)

No. 44.—MARCH 9. You have withdrawn from the business, for private use, cash, $25.

INSTRUCTIONS.—As the *Proprietor* is credited with money, property, etc., which he invests in the business, it is evident that he should be debited for anything which he takes out of the business. In this instance he has withdrawn cash, hence the *Proprietor* should be debited and *Cash* credited for *$25*. The following illustrates the form of your entry, though the amounts are different.

	A. H. Harper, Proprietor	9	Drew from the business for private use	50	
	Cash				50

Use your own name in making the above entry.

Rule 14.—*Debit the* PROPRIETOR *for all cash, merchandise, etc., which he takes out of the business.*

No. 45.—MARCH 10. Bought of Kidder & Hill on account, 30 days, 1000 bu. corn at 36¢ per bu., 200 bu. rye at 54¢ per bu.; total, $468.

No. 46.—MARCH 11. Paid H. S. Clough & Co. cash, $100, to apply on account.

No. 47.—MARCH 12. Sold F. W. Garland, on his note at 10 days, 50 brls. flour at $4.60 per brl.; total, $230.

The following illustrates the form of the note which F. W. Garland gives you, the amount being different.

$250.00 Rochester, N.Y. Mar. 12, 190

Thirty days after date I promise to pay to the order of Student's name

Two hundred fifty Dollars

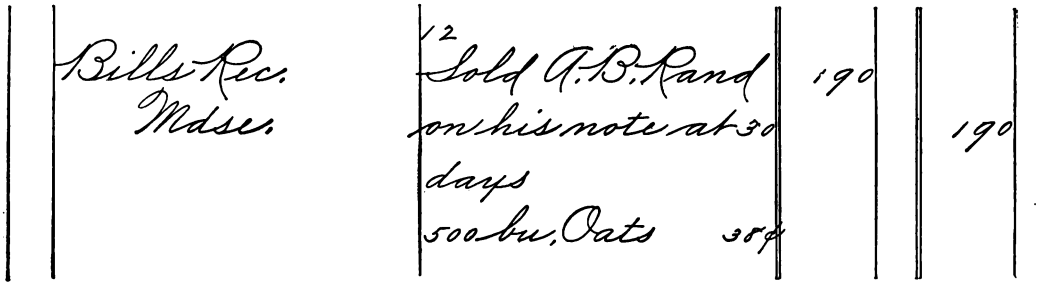
Payable at my office

Value received

No. 66. Due Apr. 11 F. W. Garland

INSTRUCTIONS.—You have sold merchandise, and F. W. Garland has given you his written promise to pay in 30 days the amount of the bill. A written promise to pay is

called a note. When these notes, or promises, are in favor of the business, they are called "Bills Receivable," and, like any other property, they are debited when received and credited when disposed of; hence in this instance *Bills Receivable* should be debited and *Merchandise* credited. The following illustrates the form of your entry, though the amounts and explanation are different.

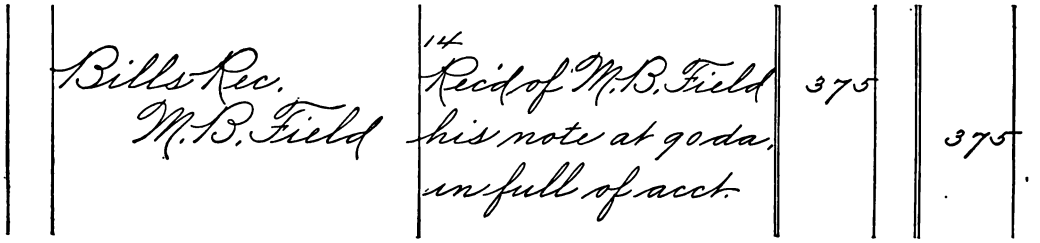


Rule 15.—*Debit* BILLS RECEIVABLE *for all notes (written promises to pay) that you receive which are signed by other persons.*

No. 48.—MARCH 13. Sold Wm. Archer & Co., on their note at 15 days, 150 brls. flour at $4.60 per brl.; total, $690. (Entry similar to previous transaction.)

No. 49.—MARCH 14. S. A. Dodge & Co., who owe you $237.50, have requested you to accept their note at 30 days in payment of the account. This you have agreed to do.

INSTRUCTIONS.—In this instance you have received S. A. Dodge & Co.'s written promise to pay, hence *Bills Receivable* should be debited (see rule 15). As S. A. Dodge & Co. have paid you on account, *S. A. Dodge & Co.* should be credited. The following illustrates the form of your entry, though the amounts and explanation are different.



No. 50.—MARCH 15. J. S. Sumner sends you his note at 10 days to apply on account, $250. (Entry similar to preceding transaction.)

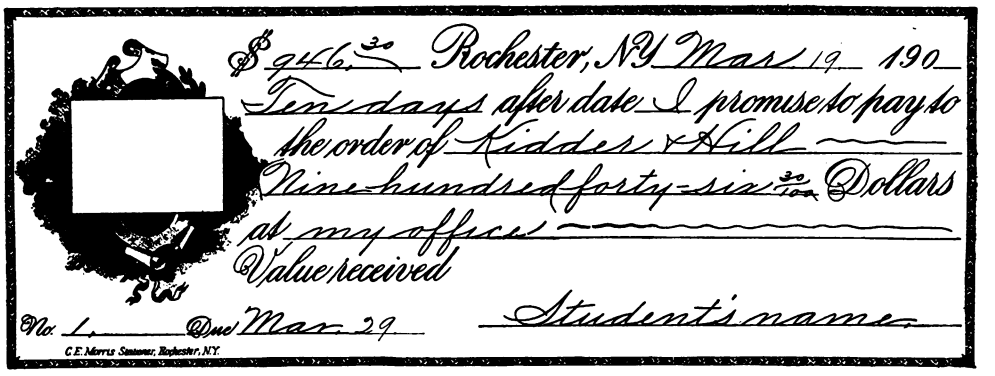
No. 51.—MARCH 16. Sold S. A. Dodge & Co., on account, 600 bu. corn at 40¢ per bu., 50 brls. flour at $4.50 per brl.; total, $465.

No. 52.—MARCH 17. Bought of H. S. Clough & Co., on account, 100 brls. flour at $4 per brl., 500 bu. corn at 35¢ per bu.; total, $575.

No. 53.—MARCH 18. Sold J. B. Fulton, on his note at two months, 400 bu. oats at 38¢ per bu., 200 bu. corn at 40¢ per bu.; total, $232. (Entry similar to transaction No. 48.)

No. 54.—MARCH 19. Bought of Kidder & Hill, on your note at 10 days, 200 brls. flour at $4 per brl., 500 bu. corn at 35¢ per bu.; total, $975.

The following is the form of the note which you will give Kidder & Hill. The amount is different.


$946.20 Rochester, N.Y. Mar. 19 190
Ten days after date I promise to pay to
the order of Kidder & Hill
Nine hundred forty-six 20/100 Dollars
at my office
Value received
No. 1 Due Mar. 29 Student's name
C.E. Morris Steamer, Rochester, N.Y.

INSTRUCTIONS.—You have bought merchandise and have given Kidder & Hill your note or written promise to pay the amount of the bill in 10 days. Written promises to pay, given by you for the benefit of the business, are called "Bills Payable," and, like any other property, they should be credited when issued or disposed of, and debited when paid or received; hence *Merchandise* should be debited and *Bills Payable* credited for the amount of the note. The following illustrates the form of your entry, though the amounts and explanation are different.

	Mdse.	19 Bot. of B. F. Perry	600		
	Bills Pay.	on my note at 60			600
		days.			
		100 brls. Flour 3 20			
		600 bu. Corn 35¢			

Rule 16.—*Credit* BILLS PAYABLE *for all notes (written promises to pay) which are signed by the Proprietor, and given for the benefit of the business.*

No. 55.—MARCH 20. Bought of Warner & Freeman, on your note at 10 days, 600 bu. corn at 35¢ per bu.; total, $210. (Entry similar to previous transaction.)

No. 56.—MARCH 21. Sold A. H. Warren, on his note at 30 days, 50 brls. flour at $4.60 per brl., 190 bu. corn at 40¢ per bu.; total, $306. (Entry similar to transaction No. 48.)

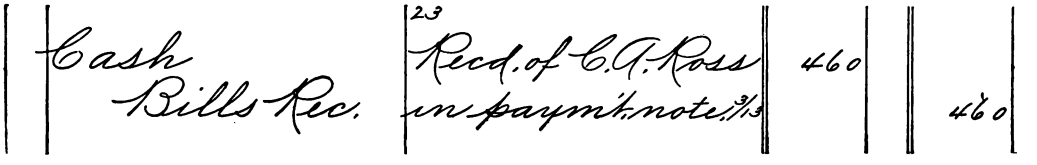
No. 57.—MARCH 22. Sold Weston & Hill, on account, 25 brls. flour at $4.60 per brl., 380 bu. corn at 40¢ per bu.; total, $267.

No. 58.—MARCH 23. Bought of Chas. A. Hill & Co., on your note at 60 days, 1000 bu. oats at 33¢ per bu., 500 bu. corn at 35¢ per bu.; total, $505. (Entry similar to transaction No. 55.)

No. 59.—MARCH 23. Sold Roberts Bros., on account, 15 days, 50 brls. flour at $4.50 per brl.; total, $225.

No. 60.—MARCH 23. F. W. Garland has paid you his note of 12th inst. in cash, $230.

INSTRUCTIONS.—You have received cash and disposed of the note, which should be returned to F. W. Garland. As *Bills Receivable* was debited when the note was received, it is evident that *Bills Receivable* should be credited when the note is disposed of. The following illustrates the form of your entry, though the amounts and explanation are different.

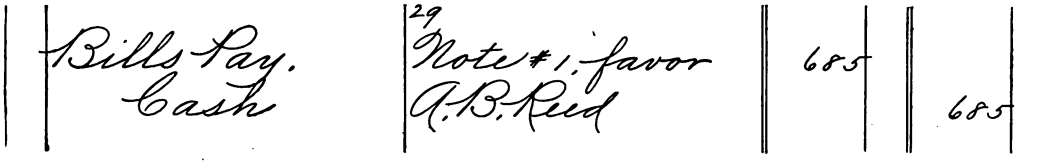


Rule 17.—*Credit* BILLS RECEIVABLE *when notes signed by other persons are disposed of.*

No. 61.—MARCH 24. J. S. Sumner has paid his note, due this day, in cash, $250. (Entry similar to previous transaction.)

No. 62.—MARCH 24. You have paid your note of 19th inst., favor of Kidder & Hill, in cash, $975.

INSTRUCTIONS.—You have disposed of cash and received therefor your note. As *Bills Payable* was credited when your note was issued, it is evident that *Bills Payable* should be debited when your note is paid or redeemed. The following illustrates the form of your entry, though the amounts and explanation are different.



Rule 18.—*Debit* BILLS PAYABLE *for all notes (written promises to pay) which are paid by the business.*

No. 63.—MARCH 24. You have paid your note, favor of Warner & Freeman, in cash, $210. (Entry similar to previous transaction.)

No. 64.—MARCH 25. Received of E. H. French & Co., to apply on account, their note at 30 days for $200.

No. 65.—MARCH 25. Transfer, by indorsement, A. H. Warren's note of 21st inst. for $306 to H. S. Clough & Co., to apply on account.

INSTRUCTIONS.—Instead of keeping A. H. Warren's note (bills receivable) until it becomes due, and collecting the money yourself, you have given the note to H. S. Clough & Co. to apply on account, and they agree to accept it at its face value. You have paid Clough & Co. on account, therefore they should be debited (see rule 12); you have disposed of a note in favor of the business, hence *Bills Receivable* should be credited (see rule 17). The following illustrates the form of entry, though the amounts and explanation are different.

B. E. Wells & Co.	25 Gave them W. H. Lacy's note of 2/24, in our favor, to apply on acct.	300	
Bills Rec.			300

Indorsing a note consists in writing your name on the back of the note, about one and one-half inches from the upper end. The effect of an indorsement is to make the person who writes his name on the back of a note responsible for its payment in case the maker fails to pay the note when it is due. If the note is payable to order, the indorsement is also necessary for the purpose of transferring the title.

The following is a form of indorsement commonly used in transferring notes like that referred to in transaction No. 65.

Pay to the order of
N. S. Clough & Co.
Student's Name.

No. 66.—MARCH 26. Paid clerk hire, $15, stamps, etc., $2; total, $17. (Entry similar to transaction No. 31.)

No. 67.—MARCH 27. Gave Kidder & Hill your note at 30 days, for $340, to apply on account.

No. 68.—MARCH 27. William Archer & Co. paid their note of the 13th inst. in cash. $690.

No. 69.—MARCH 28. The freight and drayage bills to date are $12; they have been paid in cash. (Entry similar to transaction No. 42.)

No. 70.—MARCH 28. You have taken from the store, for use in your family, 2 brls. flour at $4 per brl.; total, $8.

INSTRUCTIONS.—You (the proprietor) have taken from the business, for your own private use, merchandise valued at $8. The *Proprietor* should be debited for the withdrawal from the business, and *Merchandise* should be credited, as it has been sold to the proprietor.

No. 71.—MARCH 29. Bought of A. J. Lane, on account, 600 bu. oats at 32¢ per bu., 200 bu. rye at 55¢ per bu.; total, $302.

No. 72.—MARCH 29. Paid F. A. Smith & Co. cash, $165, in full of account to date.

No. 73.—MARCH 29. Received of Wm. Archer & Co. cash, on account, $150.

No. 74.—MARCH 30. Bought of Rice, Miller & Co. on account, 30 days, 50 brls. flour at $3.95 per brl., 400 bu. corn at 35¢ per bu.; total, $337.50.

No. 75.—MARCH 30. Sold W. A. Scott on account, 30 days, 400 bu. oats at 38¢ per bu., 50 brls. flour at $4.50 per brl.; total, $377.

No. 76.—MARCH 31. Bought of F. A. Smith & Co. on account, 30 days, 75 brls. flour at $4 per brl.; total, $300.

No. 77.—Open the following accounts, leaving space as indicated.

Loss and Gain, 11th line, page 2. Bills Receivable, top of page 4. Wm. Archer & Co., 22d line, page 5. Weston & Hill, 33d line, page 5. Roberts Bros., top of page 6. Bills Payable, top of page 7. H. S. Clough & Co., 11th line, page 8. Kidder & Hill, 22d line, page 8.

Post from your journal, following directions for posting on page 13. Take a trial balance (see instructions below), and present your journal, ledger and trial balance to your teacher for approval.

In taking the trial balance, March 31st, you may write only the difference between the two sides of each account in the money columns of the trial balance. Pencil foot your ledger accounts as usual. On the larger side of the ledger account, in the explanation space, near the top of the account, write the pencil footing of that side of the account; underneath it write the pencil footing of the smaller side; subtract, writing the remainder underneath, and leave these pencil figures in your ledger. Carry this remainder only into the trial balance opposite the name of the account, and on the larger side. Use a hard, sharp-pointed pencil and make your figures small like all pencil footings. (See Cash and Merchandise accounts in model ledger, page 8, to show the method of finding the difference between the sides of accounts to be used in this form of trial balance.)

The following is a trial balance taken in this manner from the model ledger on pages 8 and 9.

Trial Balance, Feb. 28, 190-

1	A. N. Harper		2950
1	Cash	2436 50	
1	Merchandise	877 50	
1	Expense	210	
2	Bills Receivable	158 50	
2	Bills Payable		820
2	J. B. Allen	362 50	
2	J. Grant & Co.		275
		4045	4045

DIRECTIONS FOR FINDING MISTAKES IN TRIAL BALANCES.

The debit and credit columns of your journal are equal. If the items are posted correctly, it is evident that the debit and credit sides of your ledger will also be equal. The debit and credit money columns of your trial balance should be equal, as the trial balance is made up of the differences between the debit and credit money columns of your ledger; but every bookkeeper finds from practical experience that errors occur, and it is by no means uncommon to find a difference between the debit and credit money columns of the trial balance when it has been taken off from the ledger.

If you have checked the items from the journal to the ledger, as directed on page 26, any mistakes in posting should be discovered, but many bookkeepers do not check, using every other means of finding mistakes before resorting to this expedient; for, in a large business, it is a considerable addition to the work of the bookkeeper if he is obliged to check all postings a second time.

The following directions will, it is believed, enable you to detect most mistakes.

1. Verify your additions, both in the trial balance itself and in each account in the ledger.

2. See that the subtraction has been correctly performed in finding the differences between the sides of the ledger accounts.

3. Find the exact amount of the difference between the two sides of the trial balance. Look through your journal and see if any such amount appears in either column of the journal. If you find the amount, it has very probably been omitted in the posting and will rectify the error.

4. Look in the journal for an amount equalling half the difference between the two sides of the trial balance. A debit amount of half the difference posted to the credit side, or a credit amount posted to the debit side of the ledger would give the amount of the difference.

5. See if the difference between the sides of the trial balance is divisible by 9; if so, it is probable that figures have been transposed in posting, *e. g.*, 39 posted as 93. There is no method of locating such an error except by checking.

Finally, if the error is not discovered by any of these methods, it is necessary to check from the journal to the ledger. In doing this work be sure that you check in both books. If this is carefully done errors must be detected.

STATEMENT.

In addition to keeping accounts, the bookkeeper must be able to show at any time whether the business is profitable or unprofitable, and from what sources (accounts) the gains and losses arise. This is usually done at stated periods—generally yearly—by making a statement which shows in detail just what property or resources the business has on hand, what debts or liabilities it has outstanding, what gains it has made, and what losses it has sustained. From this material it is easy to show the present standing or worth of the business, and determine whether it is prosperous or unprosperous, as well as to indicate the sources from which the gains arise or the losses occur.

The first step in making out a statement is to take an inventory of the property on hand.

INVENTORY.

An inventory is a list of unsold merchandise and other property on hand at the time the statement is rendered. Since *Merchandise* is debited when bought, and credited when sold, it is evident that the value of unsold merchandise must be ascertained before it can be determined whether there has been a gain or a loss. A complete list of every article of merchandise is taken and kept in a book or on sheets, with the value indicated. The cost price of merchandise is generally assumed to be the value of the goods unless there has been a decided rise or fall in the market price since the articles were purchased. By comparing the purchases and sales in your journal, it is found that you should have on hand the following.

INVENTORY, MAR. 31, 19—.

2830 bu. Corn,	35¢,	990.50	
1250 " Oats,	30¢,	375.	
400 " Rye,	55¢,	220.	
213 brls. Flour,	3.90,	830.70	2416.20

CLASSES OF ACCOUNTS.

Every business will contain two classes of accounts, which may be called Accounts of Business and Accounts of Finance.

Accounts of Business are those accounts which indicate a gain or a loss to the business, such as Merchandise, Expense, Interest, Discount, Real Estate, and other accounts of a similar nature. The chief business account of any business will be Merchandise, for it is from the buying and selling of goods that the principal profit is derived. All accounts of business are placed together on a statement known as a statement of losses and gains. The following is the form of such a statement.

Statement of Losses & Gains, Mar. 31, 190-

			Losses.	Gains.
Mdse.	Value of unsold	4200.		
"	Excess of cost over sales	3642		
"	Gain			558
Expense	Cost		126 50	
Net Gain			431 50	
			558	558

HOW TO MAKE OUT A STATEMENT OF LOSSES AND GAINS.

Take a sheet of journal paper and write at the top thereof, *Statement of Losses and Gains, March 31, 19--*. All losses are placed in the left-hand or debit column of the statement, and all gains are placed in the right-hand or credit column.

1. Take the amount of merchandise which you have on hand, as shown by your inventory, $2416.20, and place it after *Merchandise, value of unsold*, writing it short, as shown in model, page 35.

2. The excess of the debit over the credit side of your Merchandise account, as shown by your trial balance, is $1736.50. Take this amount and place it after *Merchandise, excess of cost over sales*, writing it short, as shown in model.

3. It is evident, from the above, that you have paid out $1736.50 more than you have received for merchandise, and if you had no goods on hand your loss would be $1736.50; but it is estimated that the goods you have on hand are worth $2416.20, and could be sold for this amount, so in reality you have a profit of $679.70 ($2416.20 − $1736.50 = $679.70). Write your profit in the Gain column after *Merchandise Gain*. (See model.)

4. The debit side of your Expense account is $104 greater than the credit side, so it is evident that there has been a loss on expense of $104. Place this amount after *Expense* in the Loss column.

5. Foot your Loss and Gain columns. The footing of your Gain column is $679.70, and the footing of your Loss column is $104; the difference between the footings is $575.70. As the Gain column is the greater, it is evident that the business has made a profit of $575.70. Write this amount after the words *Net Gain*, in red ink, in the Loss column. Now foot your Gain and Loss columns, and write the footings as shown in model. When an amount is written in red ink, it indicates the difference between two columns, or between two sides of an account. Red ink entries are always placed on the smaller side, and show that the opposite side or column is greater than the column containing the red ink entry by the amount of such entry.

ACCOUNTS OF FINANCE.

The second class of accounts in your trial balance may be called Accounts of Finance, since they represent money value or money indebtedness to the business. They comprise the resources or property of the business, and its liabilities or debts, and include such accounts as Cash, Bills Receivable, Merchandise (property on hand), Bills Payable, accounts with persons, etc. The difference between the resources or property of any business and its liabilities or debts will show the present worth of that business, and the Proprietor should have credit for this amount. To ascertain the present worth of the business, you should make out a statement of resources and liabilities. The following is the form of such a statement.

Statement of Resources & Liabilities. Mar. 31, 190-

		Resources.	Liabilities.
Mdse.	as per Inventory	4200	
Cash	amount on hand	1825 30	
B. W. Freeman	balance due	296 50	
A. H. White & Co.	" "	628 45	
J. C. Barnes & Co.	" "	928 30	
W. F. Hyde & Son	" "	388 70	
Bills Rec.	notes on hand	745	
L. C. Kean & Co.	due them		1260
Calhoun, Robbins & Co.	" "		1865
J. D. Leach & Co.	" "		432
Bills Pay.	notes outstanding		1865
Present Worth			3590 25
		9012 25	9012 25

HOW TO MAKE OUT A STATEMENT OF RESOURCES AND LIABILITIES.

Take a sheet of journal paper and write at the top thereof, *Statement of Resources and Liabilities, Mar. 31, 19—.* Write on the statement the names of all accounts in your ledger, except your own, Expense, and Loss and Gain, as shown in the above model, but do not put any figures in the amount columns. The left-hand or debit column of your statement is used for your resources; the right-hand or credit column is used for your liabilities.

1. Take the amount of merchandise you have on hand, as shown by your inventory ($2416.20), and place it after *Merchandise*, in the Resource column.

2. The debit side of your Cash account, as shown by your trial balance, is $1145.50 more than the credit side. This is a resource, and should be written after *Cash* in the Resource column.

3. The debit side of the account of W. A. Scott, as shown by your trial balance, is $377 more than the credit side. This is a resource, and should be placed after *W. A. Scott* in the Resource column.

4, 5. Treat the accounts of S. A. Dodge & Co., J. S. Sumner, E. H. French & Co., Emerson & Sons, Wm. Archer & Co., Weston & Hill and Roberts Bros. in a similar manner.

6. The debit side of your Bills Receivable account, as shown by your trial balance, is $669.50 more than the credit side. Place this amount in your Resource column. In making up your statement all resources should be given first, then the liabilities.

7. By referring to your trial balance, it is ascertained that the credit side of your Bills Payable account is $845 more than the debit side, hence you have a liability of $845. This amount should be placed after *Bills Payable* in your Liability column.

8. By referring to your trial balance, it is ascertained that the credit side of the account of A. J. Lane is $302 more than the debit side. Place the amount after *A. J. Lane* in the Liability column.

9, 10. Treat the accounts of W. H. Stevens, F. A. Smith & Co., Rice, Miller & Co., H. S. Clough & Co. and Kidder & Hill in a similar manner to that of A. J. Lane.

11. Find the difference between your Resource and Liability columns. The difference in the present instance is $3042.70. Place this amount in your Liability column, in red ink, after the words *Present Worth*. The difference between the resources or property of any business and its liabilities or debts will show the present worth of that business. In case the liabilities or debts should exceed the resources or property, it is evident that there would be no present worth, and that the business would be insolvent; that is, it could not pay its debts if called upon to do so.

12. You will now make out a proof of your statement of resources and liabilities. See model below.

Proof of Statement.

D. H. Martin PROPRIETOR	Invested	3300.		
	Withdrew	141.25		
	Net Investment		3158.75	
	Net Gain		431.50	
	Present Worth			3590.25

The amount of the Proprietor's investment is taken from the credit side of his ledger account. In your ledger this amount is $2500. The amount of his withdrawals is taken from the debit side of his ledger account. In your ledger this amount is $33. Subtract the withdrawals from the investment, which will give you the net investment, and in your case the amount is $2467. Place this after your name, as shown in model.

13. The amount of your gain, as shown by your loss and gain statement, is $575.70. Place this after *Net Gain*.

14. Your net gain added to your investment should give the present worth of the business, which is $3042.70. This amount agrees with the amount shown in the statement of resources and liabilities, hence the statement is correct. If the business shows a loss, the amount of the loss should be subtracted from the net investment to find the present worth.

QUESTIONS.

1. Define buying on account.
2. Define selling on account.
3. When are personal accounts credited? When debited?
4. What is the object of checking from the journal to the ledger after posting?
5. Why should the Merchandise account be debited for freight and drayage?
6. Why should the proprietor be debited for money taken from the business?
7. Define a note.
8. What are bills receivable?
9. When should the Bills Receivable account be debited?
10. What are bills payable?
11. When should the Bills Payable account be credited?
12. When should the Bills Receivable account be credited?
13. When should the Bills Payable account be debited?
14. Define indorsement.
15. How does the trial balance of March 31st differ from those previously taken?
16. What should the bookkeeper's statement show?
17. Define an inventory.
18. Why is it necessary to take an inventory before making a statement?
19. How is an inventory taken?
20. What price is given the goods?
21. Define accounts of business. Give examples of such accounts.
22. What information should a statement of the losses and gains contain?
23. Define accounts of finance.
24. In what statement should these accounts appear?
26. How is the present worth of any business determined?
25. Explain the method of taking a proof of statement of resources and liabilities.

L. M. Harris
PROPRIETOR.

190-						190-					
Jan.	25		7	200		Jan.	1		1	6500	
	31	Present Worth		6852	97		31	Net Gain	1	552	97
				7052	97					7052	97
						190-					
						Feb.	1	Present Worth		6852	97

Merchandise

190-						190-					
Jan.	3		1	1836		Jan.	4		2	622	60
	10	6320.30 / 3961.72 / 2459.55	4	1260			5		3	598	
	15		5	981	50		8		4	742	
	20		6	1897	60		12		4	3128	7
	25		7	3445	30		16		5	644	
	31	Gain	1	751	67		26		7	942	25
							31	Inventory		3210	25
				7071	97					7071	97
190-											
Feb.	1	Inventory		3210	25						

Expense

190-						190-					
Jan.	5		2	125		Jan.	31	Loss	1	1987	0
	10		4	52	50						
	13		5	21	20						
				1987	0					1987	0

Loss & Gain

190-						190-					
Jan.	31	Expense	1	1987	0	Jan.	31	Mdse.		751	67
	31	L. M. Harris	1	552	97						
				751	67					751	67

Cash

190-						190-				
Jan.	1	5775.47 4476.20 4299.27	1	6500		Jan.	3		1	1836
	4		2	62260			5		3	125
	6		3	598			10		4	5250
	15		5	31287			13		5	2120
	18		6	7423			20		6	1260
							25		7	200
							30		8	9815 0 4476 20
							31	Balance		429927
				877547						877547
190- Feb.	1	Balance		429927						

A. B. Case

190-						190-				
Jan.	12		4	31287		Jan.	15		5	31287
	26		7	94225						

D. E. Frye

190-						190-				
Jan.	30		8	98150		Jan.	15		5	98150
							25		7	34520

Bills Receivable

190-						190-				
Jan.	8	10 ds.	4	742		Jan.	18		6	742
	16	60 "	5	644						

Bills Payable

190-						190-				
Jan.	20		6	1260		Jan.	10	10 ds.	4	1260
							20	4 ms.	6	189760

MODEL LEDGER.

The preceding two pages represent a model ledger properly closed and ruled. The student should carefully examine the form and ruling.

HOW TO CLOSE THE LEDGER.

Close your accounts of business first, then your accounts of finance.

Merchandise.—The first account in your ledger which shows a loss or a gain is Merchandise. The debit side of this account is $1736.50 more than the credit side. This indicates that you bought $1736.50 worth more merchandise than you have sold, but you still have on hand (see inventory, page 35), $2416.20 worth of merchandise. It is presumed that you can sell this merchandise for its cost value, $2416.20; if so, *Merchandise* should be credited for this amount. Place your inventory on the credit side of your Merchandise account in red ink. Write *March 31* in the date column, the word *Inventory* in the explanation column, and *$2416.20* in the amount column. (See illustration below; also see illustration in model ledger, page 40.) The footing of the credit side of your Merchandise account, including the inventory, is now $8533.20. The footing of the debit side is $7853.50. As the footing of the credit side is the larger, it is evident that there has been a gain of $679.70 ($8533.20—$7853.50=$679.70). Place the amount of the gain, in red ink, on the debit side of Merchandise account, writing *March 31* in the date column, the word *Gain* in the explanation column, and *$679.70* in the amount column. (See illustration below; also model ledger, page 40.) Foot your Merchandise account, rule it, and bring your inventory below the ruled lines on the debit side.

Merchandise

190-				190-			
Feb.	1		2 1865 25	Feb.	5		2 600
	20		5 1545 50		7		2 850 25
	28		7 694 40		14		3 425 50
Mar.	6		8 918		20		5 840
	15		9 1265		26		6 912 75
	29		11 1500 75	Mar.	3		7 1220
	31	Gain	3 1207 80		7		8 410 50
					15		9 650
					22		10 915 25
					28		11 1009 50
					31	Inventory	2072 45
			8995 95				8995 95
Apr.	1	Inventory	2072 45				

When you commenced the closing process your ledger was in balance, as shown by the trial balance. A double entry ledger should always be in balance; that is, its debits should always equal its credits. In closing the Merchandise account you made a credit entry of $2416.20 with no corresponding debit. By transferring this amount, in black ink, to the debit side of Merchandise on the first line below the ruling under date of April 1, you restore the equilibrium of the ledger, so far as this entry is concerned. You also show what the merchandise has cost which you now have on hand.

All red ink entries which you make in your ledger must be transferred to the opposite side of the account in which they are made, or to the opposite side of some other account; otherwise the ledger will be out of balance.

You made an entry of the gain ($679.70), in red ink, on the debit side of your Merchandise account, which of course throws your ledger out of balance. Transfer this amount, in black ink, to the credit side of the Loss and Gain account, writing the page of Merchandise in the folio column of the Loss and Gain account and the page of Loss and Gain in the folio column of the Merchandise account. (See illustration below.)

Loss & Gain

						190- Mar.	31	Mdse.	1	1207 80

You have now restored the equilibrium of the ledger and placed the amount of your gain from merchandise on the gain side of the Loss and Gain account. All gains of the business are placed on the credit side of this (Loss and Gain) account, and all losses of the business are placed on the debit side. In the space for the explanation we write *Mdse.* for the purpose of indicating the source from which the gain was produced. The student should examine model ledger on page 40, and trace the gain from the Merchandise account to the Loss and Gain account.

Expense.—The debit side of the Expense account is $104. As there is nothing on the credit side, it is evident that expense has cost the business $104. Write the amount of the loss on the credit side of the Expense account, in red ink, and foot and rule the account. (See illustration below.)

Expense

190- Feb.	13		2	150		190- Mar.	31	Loss	3	532 50
	15		5	60						
	25		7	62 50						
Mar.	1		7	150						
	20		10	45						
	31		12	65						
				532 50						532 50

Transfer the loss ($104) of the Expense account to the debit side of the Loss and Gain account—this restores the equilibrium of the ledger—and place the loss on the loss side of the Loss and Gain account.

The following represents a Loss and Gain account as it will appear after the transfers have been made. The figures in the amount columns are different from your figures.

Loss & Gain

190- Mar.	31	Expense	1	532	50	190- Mar.	31	Mdse.	1	1207	80

Loss and Gain.—Your Loss and Gain account now contains on the debit side the names of all accounts that show a loss to the business, and on the credit side the names of all accounts that show a gain. This being the case, it is evident that the difference between the sides of the Loss and Gain account will show the net gain or net loss to the business. As the credit side of this account is $575.70 in excess of the debit side, it is evident that the business has gained $575.70. Place this amount on the debit side of the Loss and Gain account, in red ink, writing the name of the proprietor (yourself) in the explanation column, and foot and rule the account.

The following represents a Loss and Gain account properly closed. The figures in the amount columns are different from your figures.

Loss & Gain

190- Mar.	31	Expense	1	532	50	190- Mar.	31	Mdse.	1	1207	80
	31	Student's Name, Proprietor	1	575	30						
				1207	80					1207	80

Proprietor's Account.—The amount of the net gain ($575.70), as shown by the Loss and Gain account, should be transferred to the account of the Proprietor (student). Write, in black ink, on the credit side of the Proprietor's account, *Net Gain, $575.70.*

The following represents the Proprietor's account as it should appear at the present time. The figures in the amount columns are different from your figures.

Student's Name, Proprietor.

190-						190-				
Feb.	28		7	125		Feb.	1		1	7000
Mar.	31		12	150		Mar.	31	Net Gain	3	675 30

The debit side of the Proprietor's account shows withdrawals to the amount of $33; the credit side shows an investment of $2500 and the gain, $575.70, making a total of $3075.70. It is evident that the present worth of the business may be found by taking the difference between the sides of the Proprietor's account. The difference between the sides is $3042.70. Make an entry on the debit side of the Proprietor's account, in red ink, for this amount, and foot and rule the account. Transfer the amount, in black ink, to the opposite side of the Proprietor's account on the first line below the ruling under date of April 1st.

The following represents the form of a Proprietor's account properly footed and ruled. The figures in the amount columns are different from the figures in your books.

Student's Name, Proprietor.

190-						190-				
Feb.	28		7	125		Feb.	1		1	7000
Mar.	31		12	150		Mar.	31	Net Gain	3	675 30
	31	Present Worth		3042 30						
				7675 30						7675 30
						Apr.	1	Present Worth		7400 30

Accounts of Finance.—With the exception of the Proprietor's account, it is not customary to close the accounts of finance. Should a personal account balance at any time, it may be footed and ruled, or a single red line may be drawn under each side to indicate that the account balances. (See model on page 41.) Should it be desired to close the accounts of finance at any time, this may be done by taking the difference between the sides and placing it on the smaller side, in red ink, writing the word *Balance* in the explanation column. (See Cash account in model ledger, page 41.) The accounts may then be footed and the red ink balance brought below the ruled lines on the opposite side from which it is written.

INSPECTION BY TEACHER.

Your ledger is now closed. Present the work to your teacher for inspection. Be sure that every detail has received proper attention, and that no dates, page marks, nor explanations have been omitted. Notice the fact that your closing entries in the ledger are in red ink, and that all transfers are in black ink. Some accountants use no red ink, but make all entries and rulings in black ink.

PROOF TRIAL BALANCE.

After closing the ledger, the student should take off a proof trial balance in order to be sure that the ledger is in balance before making additional entries therein.

HOW TO MAKE OUT A PROOF TRIAL BALANCE.

Take a sheet of ordinary journal paper, and at the top write the heading *Proof Trial Balance, March 31, 190–*. Do not write the names of the accounts in the explanation column, as the amounts are sufficient for this work (see illustration, page 47). Commence with the first account in your ledger. If the balance is on the debit side, write the balance in the debit column of your proof trial balance; if the balance is on the credit side, write the balance in the credit column. In the present instance the balance as shown by your account is $3042.70. Place this in the credit column of your trial balance. The balance as shown by your Merchandise account (as brought below the ruled lines) is $2416.20. Place this in the debit column of your trial balance. There is no balance shown by the Expense account or Loss and Gain account, so omit these accounts from your trial balance. The balance shown by your Cash account is $1145.50. Place this in the debit column of your trial balance. Continue this process until the balances of all the accounts in your ledger have been placed on your trial balance, then foot your trial balance. If it balances, present it to your teacher for examination and approval.

QUESTIONS.

1. What class of accounts should be closed first?
2. What should be done with inventories?
3. In what color should they appear on the ledger?
4. In what color should closing entries always be written?
5. In what color should transfers be written?
6. What should the debit side of the Loss and Gain account show?

Proof Trial Balance

1			3042 70
1		2416 20	
3		1145 50	
4		669 50	
4		377	
4		465	
4		370	
5		72	
5		95	
5		70	
5		267	
6		225	
7			845
7			302
7			98
7			300
8			337 50
8			779
8			468
		6172 20	6172 20

7. When all transfers have been made, what should the credit side of the Loss and Gain account show?

8. What should the difference between the two sides of the Loss and Gain account show? To what account should this difference be transferred?

9. How should the Proprietor's account be closed?

10. Where should the Proprietor's present worth appear after the ledger is closed?

11. Where should the inventory of merchandise appear after the ledger is closed?

12. If accounts of finance are closed, what is the process?

13. What is the object of a second trial balance after closing the ledger?

14. Explain the process of taking a second or proof trial balance.

THE TEST LEDGER NO. 1.

Apply to your teacher for test ledger number one. Take a trial balance, make statements of losses and gains and resources and liabilities, close the ledger according to instructions given below, and present it to your teacher for examination and approval.

DIRECTIONS FOR CLOSING TEST LEDGER NO. 1.

Write, in red ink, on the credit side of Merchandise account, *Inventory*, with the amount, *$2530.45*. Foot the credit side of the Merchandise account and on the debit side write, in red ink, *Gain*, with the amount $———. Rule the account and foot the debit side. Transfer the inventory to the opposite side of the Merchandise account under date of Oct. 1, and the gain to the credit side of Loss and Gain account. In what color should transfers be made?

Write on the credit side of Expense account, *Loss*, *$125*, in red ink. Rule and foot the account. Transfer the red ink entry to the opposite side of Loss and Gain account.

Close your Loss and Gain account by writing, in red ink, *T. M. Hunter*, on the smaller side of the account. Rule and foot the account. Transfer the red ink entry to the opposite side of T. M. Hunter's account.

Close T. M. Hunter's account by writing, in red ink, *Present Worth* on the debit side with the necessary amount to balance the account. Transfer the present worth to the opposite side of T. M. Hunter's account under date of Oct. 1.

Remember that closing entries are always made in red ink and transfers in black ink. Present your test ledger to your teacher for approval.

TEST LEDGER NO. 2.

Apply to your teacher for test ledger number two. Take a trial balance, make statements, close the ledger, and present to your teacher for examination and approval.

DIRECTIONS FOR CLOSING TEST LEDGER NO. 2.

Close Merchandise account as in test ledger No. 1, and as in ledger for March.

Close Expense account as in test ledger No. 1, and as in ledger for March.

On the credit side of Merchandise Discount write, in red ink, *Loss*, with the amount required to balance the account. Transfer this red ink entry to the debit side of Loss and Gain.

Close Loss and Gain account as in test ledger No. 1, and as in ledger for March.

Close T. W. Bowen's account as the Proprietor's account is closed in test ledger No. 1, and as in ledger for March.

Be sure that you make no red ink entries without making transfers. Always make closing entries in red and transfers in black.

The amount of the inventory is $4502.96.

INSTRUCTIONS TO THE STUDENT.

You are now to act as bookkeeper for James M. Hastings, who commences the Flour, Grain and Produce business to-day (April 1), at 146 Elm St., your city. You will receive a salary of $60 per month. Your teacher will furnish you all the vouchers (business papers) and blank forms necessary to perform the numbered transactions which follow.

You will get the same experience you would in a real business, so far as it is possible within the limits of a school to give this experience. Bills of merchandise bought, and other business papers, will be given you by your teacher, or will come from a pad of incoming vouchers, just as they would come to the business house by mail. These papers are similar in every respect to those used in business. All papers issued by the business are to be written up by you, and all transactions must be recorded in the books exactly as in real business.

As Mr. Hastings attends to the buying and selling, and is absent from the city a large part of the time, it will be necessary that you sign and indorse notes, checks and other negotiable paper during his absence, as well as keep the books of the business. In order to do this, you must have a power of attorney. Mr. Hastings gives this to you, and it forms the first of your incoming vouchers, which you will find in a pad marked "Incoming Vouchers." Remove this power of attorney from the pad and fill out the blank spaces. Read it carefully and see what powers it confers upon you, then fold lengthwise and write on the upper right-hand corner, *Power of Attorney, J. M. Hastings, April 1*, and the current year, and place the paper in your Voucher File.

A power of attorney is a legal document which confers upon the holder the right to perform certain acts specified therein, in the name of some other person who issues the power of attorney. It is generally witnessed by a notary public, who stamps the document with his seal.

Such a power of attorney as you have received should be presented at the bank with which the maker does business, and also at the post-office and express office, as it gives the holder the right to indorse post-office and express money orders in the name of the maker.

You will receive all goods purchased, deliver the goods sold, and make a full and complete record in the books of the business of all transactions which may occur.

The work in your books will not be like the work of any other student. Your selling price-list will be assigned by your teacher from the numbered lists found in the text-book, page 66. Your price-list will be unlike that of any other student, and you must adhere strictly to this price-list in order to get correct results.

Do not compare your books with those of other students. The results will be different, and you cannot learn too early the habit of self-reliance. Understand *why* you make each record, and you will succeed.

Before making the entry in your books for any transaction, determine first which accounts are affected by that transaction, and then which account is to be debited and which is to be credited, by applying the rules for debit and credit in the journal exercises to which you will be referred by number.

Books Kept.—The books which you will keep in this work are the journal-daybook and the ledger as principal books, and the check book as an auxiliary book.

WORK FOR THE STUDENT.

No. 1.—APRIL 1. After reading your instructions carefully, ask your teacher to assign you a selling price-list, and take from your incoming voucher pad the cash which shall constitute Mr. Hastings' investment. After this has been done, count your cash and place it in the envelope entitled "Cash Drawer," which you will find in your large envelope entitled "Business Forms."

Determine the debit by reading rule 3, page 10; determine the credit by reading rule 4, page 11. For transaction similar to this, see transaction No. 1, page 10. Make proper entry in your journal-daybook. The following illustrates the form of your entry, though the amounts and explanation are different.

April 1, 190-

	Cash	Commenced the	4000		
	E. E. Myers	Flour, Grain and			4000
		Produce business,			
		investing cash.			

No. 2.—APRIL 1. Mr. Hastings has rented the building at 146 Elm St. from R. B. Hines. According to the lease he is to pay $100 per month rent. Pay the rent for April in cash, placing the cash in your "Cash Paid Out" envelope.

Determine the debit by rule 5, page 11; determine the credit by rule 6, page 11. The following illustrates the form of your entry, though the amounts and explanation are different.

	Expense	Paid one month's	75		
	Cash	rent in cash			75

FIGURES IN THE CENTS COLUMN.—When the amount to be written consists of an even number of dollars, it is the custom of some bookkeepers to leave the cents column blank, while others write two ciphers in that column. A common error in bookkeeping is to omit the cents of an amount. If the ciphers are written in the cents column when the amount is an even number of dollars, this error is not likely to occur, otherwise the writing of ciphers in the cents column is a waste of time and makes the addition of a long column of figures more difficult. The better method is to indicate even dollars by writing a light dash in the cents column, as shown in the model below.

Flour,	250 brls.,	at 4.50	1125 —	
Oats,	600 bu.,	36¢	216 —	
Corn,	225 bu.,	50¢	112 50	
Rye,	101 bu.,	50¢	50 50	
Barley,	100 bu.,	48¢	48 —	1552 —

In paying out money always make payment in bills of the largest denominations possible. In this instance you should take a hundred-dollar bill. Should you have occasion to pay out $75, you should make payment by using one fifty-dollar bill, one twenty-dollar bill, and one five-dollar bill.

Read the lease carefully and see what rights and restrictions it mentions. Place the receipt and the lease in the envelope marked "Voucher File."

No. 3.—APRIL 2. This bill shows a cash purchase from Daniels Bros. of 200 brls. flour at $4.20 per brl., 400 bu. oats at 23¢ per bu.

You will find this invoice (No. 3) with merchandise cards (No. 3) on a pad in your envelope entitled "Incoming Vouchers." The vouchers, cards, etc., on this pad are numbered to correspond with the numbers of the transactions in this book. Be sure that the number of the voucher and the number of the transaction agree before attempting to make a book entry. Detach the invoice and the merchandise from the pad. See that you have on your cards the amount of flour and oats called for in the bill, and if so, check each item on the bill, using pen and ink and placing a check mark in the vertical column at the left of the bill. See that the multiplications and additions are correct, placing a check mark against each correct amount at the right. If the bill is correct, write *O. K.*, with your initials underneath, in the lower left-hand corner. The following represents the form of a bill after it has been treated as explained above.

Book _____ Page _____

New York 454 Broome St. | Manchester 17 Nicholas St. | Paris 39 Rue de l'Echiquier | Chemnitz 23 Theater Strasse

SIBLEY, LINDSAY & CURR CO.

Directors:
R. A. Sibley
A. M. Lindsay
T. C. Johnston
A. J. Townsend
T. B. Ryder

Rochester N.Y. Apr. 1, 190_

Sold to E. A. French
Nashua, N.H.

TERMS Cash.

✓	20 brls. N. Star Flour	4.50	90	00	✓		
✓	20 " Pastry "	5.00	100	00	✓		
✓	30 doz. C. Tomatoes	1.10	33	00	✓		
✓	24 " C. Corn	1.15	27	60	✓	250	60

Received Payment
Sibley Lindsay & Curr Co.
per Mills

O. K. J. M.

If the bill is correctly made out, take the money to pay it from your Cash Drawer, and place it in "Cash Paid Out" envelope. Place the merchandise in the envelope marked "Store Room." Determine the journal entry by referring to rule 7, page 12, and rule 6, page 11. The following illustrates the form of your entry, though the amounts and explanation are different.

	Mdse.	2	Bot. of Sibley, L.	250	60	
	Cash		& Co. mdse. as			250 60
			per invoice			

Fold the bill lengthwise, face outward, and write across the face, *Entered*, with the date underneath. Place it in the envelope entitled "Voucher File."

No. 4.—APRIL 2. This bill shows a purchase from D. Deavenport & Co., for cash, of 1200 bu. corn at 28¢ per bu., 150 brls. apples at $1.65 per brl.

Check and O. K. the bill as in No. 3. Take cash to pay the bill from your Cash Drawer, and place in "Cash Paid Out" envelope. Place the merchandise in the Store Room. Your journal entry will be similar to No. 3. Fold the bill, write *Entered* across the face, and file as in No. 3. Follow all instructions in the exact order in which they are given.

No. 5.—APRIL 3. Mr. Hastings has taken this order and received the cash for the goods, 50 brls. apples, 50 brls. flour.

Copy the selling price-list which your teacher assigned you on voucher No. 5a, and paste it on the inside of the front cover of your text-book.

Select from your Store Room the merchandise which the order calls for, and make out a bill to J. A. Barker at your selling price on one of the blank billheads which you will find in your envelope entitled "Business Forms." Use one of the bills in your Voucher File as a model. Place the order in the "Voucher File."

After making out the bill, review your multiplications and additions so as to be positive that they are correct. Remember that bills sent from an office *must* be right. If the bill is correctly made out, its amount will agree with the cash received with the order (No. 5), and you may receipt the bill and place the cash in your Cash Drawer.

Place the merchandise and the receipted bill in the envelope entitled "Vouchers for Others." Determine the debit by reading rule 3, page 10; determine the credit by reading rule 8, page 12. The following illustrates the form of the journal entry, though the amounts and explanation are different.

	Cash	3	Sold M. B. Dale	82	50	
	Mdse.		10 brls. Flour 5.25			82 50
			12 " Apples 2.50			

You will notice that all merchandise which you sell is itemized in your journal-daybook, while that which you buy is entered in total only. In selling merchandise you give a bill to the person to whom the sale is made, and to preserve a complete record of the sale you must enter the items singly in your journal-daybook, for the purchaser may require of you a duplicate bill at any time, and unless you have the items in your books it will be impossible to prepare the duplicate.

When you buy merchandise you receive a bill, and as this bill is on file you can refer to it at any time that you desire to examine the items, so that it is necessary to enter the total only in your journal-daybook.

No. 6.—APRIL 3. Purchase, for cash, from L. A. Wright & Co., 1000 bu. oats, 125 brls. flour.

You will find this invoice (No. 6) and the merchandise cards (No. 6) on the pad of incoming vouchers. Detach the invoice and the merchandise from the pad, and compare the merchandise cards with the items on the invoice; if correct, check the items and verify the calculations.

Pay the bill by taking the proper amount of cash from your Cash Drawer and placing it in the envelope entitled "Cash Paid Out." In paying cash in this work always place the cash in the envelope entitled "Cash Paid Out." This envelope will be delivered to your teacher after the work has been completed.

Place the merchandise in the Store Room and make proper entry in your journal-daybook. (For entry similar to this, see transaction No. 3, page 51.) Fold and file your invoice according to instructions given in transaction No. 3, page 52.

No. 7.—APRIL 4. You have purchased, for cash, books and stationery as per invoice No. 7.

Take the invoice (No. 7) from your incoming voucher pad, verify, and if correct write your initials under the O. K. and pay the bill, placing the cash in the envelope entitled "Cash Paid Out." Determine the account to be debited by reading rule 5, page 11; determine the account to be credited by reading rule 6, page 11. Fold and file the bill.

No. 8.—APRIL 4. Sell E. M. Smythe & Co., for cash, 900 bu. oats, 900 bu. corn at your selling price.

Proceed according to directions given in transaction No. 5, page 52. Place the merchandise cards, with a receipted bill, in Vouchers for Others. Always count your cash before receipting a bill. Determine the debit by rule 3, page 10; determine the credit by rule 8, page 12.

No. 9.—APRIL 4. You have bought merchandise on account, as shown in invoice (No. 9).

Detach the invoice and the merchandise cards from the pad. Verify the calculations and O. K. the bill; if it is correct, place the merchandise in the Store Room. Make the proper entry in your journal-daybook. For entry similar to this, see transaction No. 15, page 23. Determine the debit by rule 7, page 12; determine the credit by rule 9, page 23.

This bill is not receipted. Why not? Fold lengthwise, write *Entered* across the face, with the date, and place it in your Invoice File. Place all bills bought on account in the envelope entitled "Invoice File."

No. 10.—APRIL 4. FIRST REPORT. Detach the report blank (No. 10) from your incoming voucher pad, and from your journal entries determine how much cash has been

received. This will be shown by taking the sum of your cash debits. Write the amount opposite *Cash Received* in the report. From the cash credits in the journal find how much cash has been paid out, and write it opposite *Cash Paid Out* in the report. Write the difference between the cash received and the cash paid out opposite *Cash on Hand* in the report. This amount should agree with the amount of cash in your Cash Drawer; if it does not, trace the error. From the credits of merchandise in your journal find how much merchandise you have sold, and place it opposite *Bills of Merchandise Sold* in the report. These are all the results required in the first report.

You will now present the report to your teacher, with your journal, "Vouchers for Others" and "Cash Paid Out" envelopes. Examine every voucher carefully to see that it is correctly made and checked, as well as neatly written. Poor work will not be accepted, and it is a waste of time to hand it in. Rewrite all work that is not your best before presenting it for inspection. If your work meets your teacher's approval, he will retain your Cash Paid Out, returning the remainder of your vouchers with your journal.

No. 11.—APRIL 5. Mr. Hastings has decided to open a bank account and has selected the Commercial Bank as the institution with which to do business.

Method of Opening a Bank Account.—If the person who wishes to open a bank account is not acquainted with the officers of the bank, he should get some one to introduce him. At the time of the introduction the cashier takes the depositor's signature in a signature book or on a card. The following represents the form of signature card when a person signs as attorney.

FORM OF SIGNATURE CARD.

R

NAME.	BUSINESS.	BY WHOM INTRODUCED.
F. A. Rand by J. A. Lane, Atty.	Dry Goods	Reed & Hayes

In this instance you represent Mr. Hastings, and he has given you the power of attorney to sign his name. Take the power of attorney (No. A) from your Voucher File, and read it carefully. Next detach the blank card (No. 11) from your incoming voucher pad, and write the name of J. M. Hastings and your name thereon, according to form shown above. You should write the signature on the card in the exact manner in which you propose to write it on checks. Take the power of attorney and the card to the bank. In case there is no regular bank in the school, your teacher will receive your signature card and transact with you the business of the bank. Make out a deposit ticket for $5000. See the model on page 55. File the power of attorney.

In making out a deposit ticket be sure to list currency and checks separately. Each check should be set down as a separate and distinct item. Take $5000 in cash from the Cash Drawer, and take the money, deposit ticket and bank pass book to the bank and present them to the teller, who will receive the cash and give you credit for the amount, by entering it upon the left-hand page of the bank pass book, with the date and his initials. (If the school has no regular bank, go to your teacher, who will make the teller's entry.)

FORM OF DEPOSIT TICKET.

DEPOSITED BY

F. A. Rand

IN

COMMERCIAL BANK

April 5, 190

	Dollars	Cents.	
Currency	5000		
Checks			
"			
"			
"			
"			
"			
"			
"			
"			
"			

Make a record of the deposit on the stub of the check book according to the following form.

FORM OF CHECK AND STUB.

Deposited Apr. 5, 190 — 500000

No. ____

Date ____ 190 —

Order of ____

For ____

Amount of Bill, $ ____

Discount ___ % $ ____

Amount of Check, $ ____

41 East Main St.

(Your place here.) ____ 190 No. ____

Commercial Bank

Pay to the order of ____ $ ____

____ Dollars

Make no journal entry for this transaction. The $5000 has not left the business, but has been placed in the bank for safe keeping and is still at your disposal.

No. 12.—APRIL 5. On your incoming voucher pad you will find an order (No. 12) for merchandise from Chas. E. Hayes, who wishes to purchase on account.

Select the goods from the Store Room and check each item on the order as soon as filled. Make out the bill from your price-list, but do not receipt it. Verify your calculations and make your journal entry. Determine the debit by rule 10, page 24; determine the credit by rule 8, page 12.

In filling orders be sure that the proper merchandise cards accompany each bill. Unless you are careful in this respect, you will not have the right quantity of merchandise on hand when you take your inventory at the end of the month. If you have followed directions, the cards in your Store Room will then agree with the quantity of merchandise on hand.

Place the merchandise and the bill in the envelope entitled "Vouchers for Others." Fold the order lengthwise, face outward, and write *Filled*, with the date, across the face. Place the order in the Voucher File.

No. 13.—APRIL 6. This order calls for merchandise to be sold on account.

Select the goods and check each item upon the order as filled. Verify your calculations and place the order number on this and all following bills. Make entry similar to that for transaction No. 12. Fold and file the order.

No. 14.—APRIL 8. This invoice of merchandise (No. 14) is purchased on account. When terms are not mentioned, it is understood that the purchase is on account. Compare the merchandise with the items on the bill, and check each amount if correct. O. K. the bill, file it, and make your journal entry. Determine the debit by rule 7, page 12; determine the credit by rule 9, page 23.

No. 15.—APRIL 8. You have received cash (No. 15) in part payment of bill sold to Chas. E. Hayes on the 5th inst.

Count the cash, and if correct, write a receipt for the amount, using No. 2 as model. Place the cash in your Cash Drawer and the receipt in Vouchers for Others. Make proper entry in your journal-daybook. Determine the debit by rule 3, page 10; determine the credit by rule 11, page 25.

No. 16.—APRIL 9. Pay Hatheway & Reynolds $400 in cash.

Take the cash from your Cash Drawer and place it in the "Cash Paid Out" envelope, taking a receipt (No. 16) for the amount. Place the receipt in your Voucher File. Make proper entry in your journal-daybook. Determine the debit by rule 12, page 25; determine the credit by rule 6, page 11.

No. 17.—APRIL 10. Mr. Hastings has ordered this merchandise on account from Geo. C. Cary.

Examine the merchandise and see that it corresponds with the quantities called for in the invoice. Check each item, verify the calculations, and O. K. the bill. Make proper entry in your journal-daybook. Determine the debit by rule 7, page 12; determine the credit by rule 9, page 23. Fold the bill and place it in your Invoice File.

No. 18.—APRIL 10. This note has been received from Ellis & Rand in part payment for transaction No. 13.

Examine the note carefully. Who promises to pay the note? Who should receive credit for this note? Make proper entry in your journal-daybook. Determine the debit

by rule 15, page 29; determine the credit by rule 11, page 25. Place the note in your Cash Drawer and keep it there until it is disposed of or paid.

Notes are not cash, but are kept in the Cash Drawer for convenience only.

No. 19.—APRIL 11. This order from Chas. E. Hayes is for merchandise on account.

Select the merchandise from the Store Room and make out the bill. Verify your calculations and make proper journal entry. Determine the debit by rule 10, page 24; determine the credit by rule 8, page 12. Place the bill and the merchandise in Vouchers for Others.

No. 20.—APRIL 12. This invoice is for merchandise purchased from L. A. Wright & Co. on account.

Check each item on the bill as you compare the merchandise with the items. Verify the calculations; if correct, O. K. the bill. Place the merchandise in the Store Room. Make proper journal entry. Determine the debit by rule 7, page 12; determine the credit by rule 9, page 23.

No. 21.—APRIL 14. Give L. A. Wright & Co. Mr. Hastings' note for $400, at 10 days, on account.

Make out a note, using Voucher No. 18 as model; also see form of note, transaction No. 54, page 30. Be sure to fill out the blanks on the stub of your note book before removing the note. Make proper journal entry. Determine the debit by rule 12, page 25; determine the credit by rule 16, page 30. Place this note in the envelope entitled "Bills Payable File," which you will find in your package of Business Forms. Do not lose the contents of this envelope, as you will be required to take from it each note or bill payable when it becomes due.

No. 22.—APRIL 14. This order from Ellis & Rand is for merchandise on account.

Select the goods and make out the bill. Verify the calculations and make journal entry. Place all bills to others with goods sold in Vouchers for Others.

No. 23.—APRIL 16. C. E. Hayes has given his check to apply on account.

The check is regarded as cash, because it can be converted into cash at once by presenting it at the bank. Examine the check carefully to see that it is properly dated, filled out, and signed. Make proper journal entry. Determine the debit by rule 3, page 10; determine the credit by rule 11, page 25. Place the check in your Cash Drawer and count it as part of your cash.

A check is an order written by a depositor, requesting the bank in which he has money deposited to pay a certain amount to some person named, or to his order, upon presentation of the check. The bank will require the person named to be identified, if he is not personally known, and will also require him to indorse the check; that is, write his name across the back at the left end of the check about one inch from the top.

No. 24.—APRIL 16. SECOND REPORT. From your journal find out how much cash has been received since the first report was made out, April 4, and write it opposite *Cash Received*. Find the amount of cash paid out during the same space of time, and place it opposite *Cash Paid Out*. Add the cash received to the cash on hand shown in the first report, and subtract the cash paid out from this amount. The remainder will be the amount of cash on hand; but $5000 of the cash on hand is in the Commercial Bank, as shown by the stub of your check book. Write this $5000 opposite *Cash in Bank*, subtract from the cash on hand, and the remainder will be the amount in the cash drawer, which should agree with the actual currency in your Cash Drawer.

Find the amount of merchandise sold since the first report; also notes issued by the business. The latter will be found by taking the credits of Bills Payable in your journal, which should correspond with the bills payable in your envelope entitled "Bills Payable File."

Examine your vouchers to see that they are correct in every respect. Hand the report, with your journal, Cash Paid Out, and Vouchers for Others, to your teacher.

No. 25.—APRIL 17. Give George C. Cary a check for $300, to apply on account.

Open your check book and fill out the stub as shown in the following form of check book stub. The stub is the original entry of this transaction, and should be filled out before the check.

FORM OF CHECK STUB FILLED OUT.

Deposited Apr. 5 190 — 5000 00

No. 1

Date Apr. 17 190

Order of

Geo. C. Cary

For Invoice

Amount of Bill, $

Discount % $

Amount of Check, $ 300 00

4700 00

Deposited 190

Fill out the check according to form given below.

47 East Main St.

Apr. 17, 190 No. 1.

(Your place here.)

Commercial Bank

Pay to the order of Geo. C. Cary $300.00

Three hundred 00/100 Dollars

J. M. Hastings
by Student Atty.

In filling out a check be sure to commence writing the amount of dollars at the extreme left-hand end, as shown in model, and fill up the blank space after the amount with a waved line. Failure to observe these instructions may render the maker of a check liable, in case the check should be raised by

any dishonest person into whose hands it might happen to fall. Sign the check in the same manner in which you wrote J. M. Hastings' name upon the signature card.

You will notice that the above check is made payable to order. When a check is so written, the holder is compelled to indorse it before obtaining money thereon, or before transferring it to another person. If a check is made payable to bearer, it is transferable upon delivery without indorsement. Most banks require all checks to be indorsed before they will cash them. This is not necessary if the check is payable to bearer, but such practice affords a means of identification should any dispute arise as to who obtained the money.

Remove the check from the check book and place it in Cash Paid Out. Subtract the amount of the check from the amount in the bank, and bring down the balance. Geo. C. Cary will present this check at the bank, and when the bank pays it, the check will be charged to J. M. Hastings' account and deducted from the deposit he has made.

In order to make the check book agree with the bank account, you must subtract all checks when given and add all deposits when made. Errors in the check book are very common, and it will necessitate the utmost care on your part to prevent their occurrence.

No. 26.—APRIL 19. This order calls for a sale of merchandise to T. W. Bowen & Co., on account.

Select the goods to fill the order, checking each item on the order as filled. Make out the bill and verify your calculations. Make proper journal entry. Place the goods and bill in Vouchers for Others. File the order.

No. 27.—APRIL 20. This check has been received from T. W. Bowen & Co., to apply on account.

This check (No. 27) is in part payment of No. 26. What account should be debited? Why? What account should receive credit? Why? Make proper journal entry and place the check in your Cash Drawer.

No. 28.—APRIL 20. Ellis & Rand's note, dated Apr. 10th, is due today, and they have sent a check for the amount (No. 28).

See that the check is properly filled out, and that the amount named in the check agrees with the amount of the note. Take the note from your Cash Drawer, write *Paid, April 20,* in red ink, across its face, and place it in Vouchers for Others. Place the check in the Cash Drawer and make proper journal entry. Determine the debit by rule 3, page 10; determine the credit by rule 17, page 31.

No. 29.—APRIL 20. Write a thirty-day note in favor of Geo. C. Cary for balance due him.

Examine the entries in your journal-daybook and be sure that you get the right amount. Make note payable at your office. Journalize the transaction. Determine the debit by rule 12, page 25; determine the credit by rule 16, page 30. Place the note in envelope entitled "Bills Payable File," which you will find in your package of Business Forms.

No. 30.—APRIL 23. You have purchased merchandise from Grunsfeld Bros. on account.

Compare the bill received and check the items. Store the merchandise. Make proper journal entry and place the bill in the Invoice File.

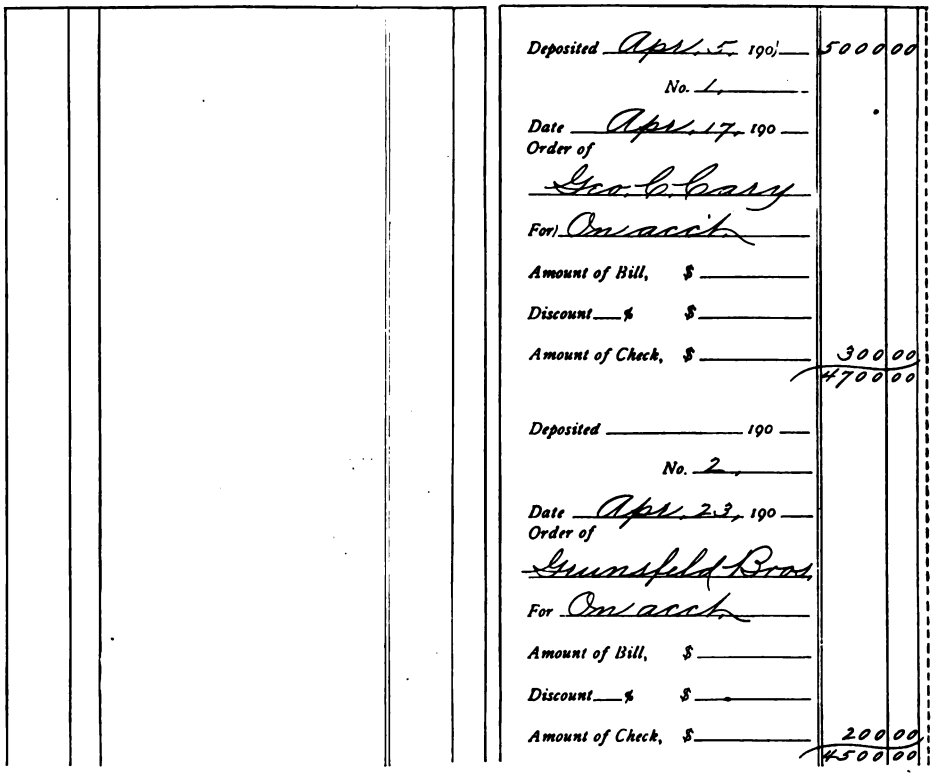
No. 31.—APRIL 23. Pay Grunsfeld Bros. by check, $200, on account.

Fill out the stub of the check and deduct the amount from the balance in bank, as shown on the stub. The following illustration represents the stub of your check book properly filled out to date.

FORM OF CHECK STUB, RIGHT-HAND PAGE, FILLED OUT.

Left-Hand Page Stub.

Right-Hand Page Stub.



Fill out check in favor of Grunsfeld Bros. for $200. Remove the check from your check book and place it in Cash Paid Out. Make proper entry in your journal-daybook. Determine the debit by rule 12, page 25; determine the credit by rule 6, page 11. Do not omit any of the details of this transaction.

No. 32.—APRIL 24. The note (No. 21), in favor of L. A. Wright & Co., is due to-day, and you pay it with a check.

From your envelope entitled "Bills Payable File" remove the note given L. A. Wright & Co., dated April 14th. Fill out the stub of your check book, and deduct the amount from the balance in bank; then fill out the check, remove it from your check book and place it in your Cash Paid Out. Write *Paid, April 24*, in red ink, across the face of the

note. Place the canceled note in your Voucher File. Make your journal entry. Determine the debit by rule 18, page 31; determine the credit by rule 6, page 11.

No. 33.—APRIL 25. Mr. Hastings has purchased merchandise from Bernet & Craft, on account.

Compare the merchandise received with the bill and check each of the items. Store the merchandise. Make your journal entry, and place the bill in the Invoice File.

No. 34.—APRIL 26. This order calls for a sale of merchandise to H. A. Woodbury, on account.

Select the merchandise called for and check the items on the order. Make out the bill and verify your calculations. Make your journal entry, and place the bill and merchandise in the proper receptacle. Place the order in your Voucher File.

No. 35.—APRIL 27. J. M. Hastings requires $75 for his own use, and he draws the amount from the business by check.

Fill out the stub of your check book, then make the check and deduct the amount from the balance in the bank, as shown on the stub of your check book. Remove the check and place it in Cash Paid Out. Make your journal entry. Determine the debit by rule 14, page 28; determine the credit by rule 6, page 11.

When money is drawn for private use, the check should be made payable to the proprietor's name. If the cash were drawn for use in the business, the check should read, *Pay to the order of Cash.*

No. 36.—APRIL 28. This order calls for a sale of merchandise to T. W. Bowen & Co., on account.

Make the bill for order (No. 36), selecting the goods from the Store Room and checking each item on the order. Verify your calculations and make the proper journal entry.

No. 37.—APRIL 30. Pay drayage bill (No. 37) with check.

Fill out the stub, write the check, and deduct the amount from the bank balance. (This transaction is similar to No. 42, page 27.) Place the check in Cash Paid Out.

No. 38.—APRIL 30. T. W. Bowen & Co. have given their note (No. 38) to apply on account.

Determine the debit by rule 15, page 29; determine the credit by rule 11, page 25. Place the note in Cash Drawer.

No. 39.—APRIL 30. Mr. Hastings has sold merchandise to H. A. Woodbury.

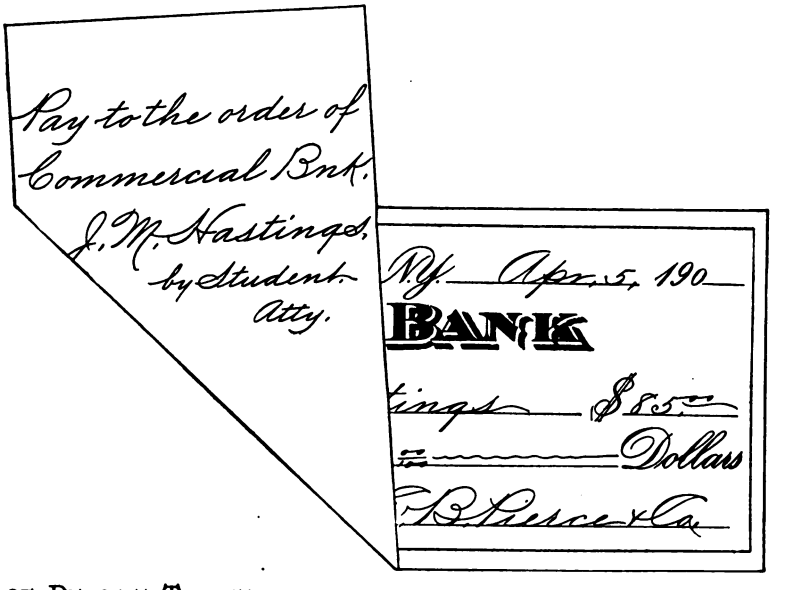
Fill order (No. 39) from your Store Room, checking each item from the order. Make the bill and verify your calculations. Make the proper journal entry, and place the bill and the merchandise in Vouchers for Others. Place the order in your Voucher File.

No. 40.—APRIL 30. You may draw a check to your own order for the amount of your salary.

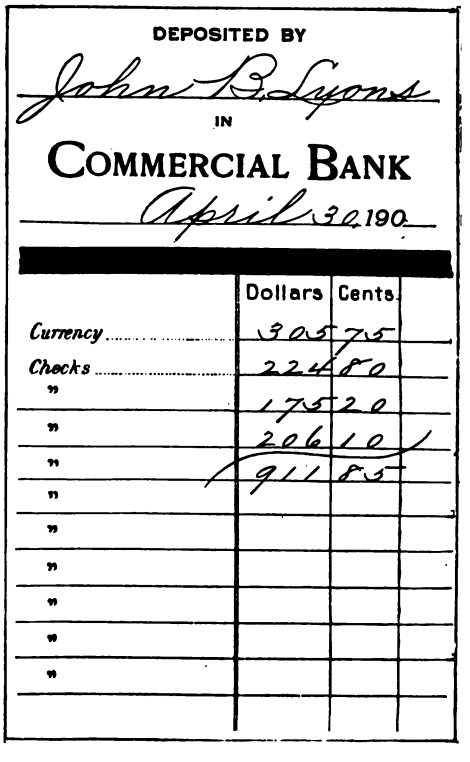
No. 41.—APRIL 30. Take from your Cash Drawer all currency and all checks made payable to the order of J. M. Hastings. Leave the notes payable to his order in the Cash Drawer. *They are not cash.* Indorse the checks, by writing across the back, about one

and one-half inches down from the left end of the check, *Pay to the order of Commercial Bank, J. M. Hastings, by* (Student's Name), *Atty.* (See form below.)

FORM OF CHECK, INDORSED.



FORM OF DEPOSIT TICKET.



Take a blank deposit ticket and write opposite the word *Currency* the amount of bills in your Cash Drawer, and under *Checks* write the amount of each individual check separately on the deposit ticket.

The accompanying illustration represents a deposit ticket properly filled out. The items are different from those on your deposit ticket.

Copy your deposit (date, items, and amount) on the left-hand stub of your check book.

Place the currency, checks and deposit ticket in your bank pass book, and present to the teller, or to your teacher if no bank is used in connection with the work. See that the proper amount is entered in the bank pass book, and add this amount to the balance in the Commercial Bank, as shown by the stub of your check book. Leave your bank pass book at the bank to be written up.

No. 42.—APRIL 30. THIRD REPORT. Prepare your report blank, showing cash received, cash paid out, cash on hand in the Commercial Bank, merchandise sold, and such other results as are called for on the report blank. Hand the report, together with your vouchers and journal-daybook, to your teacher.

No. 43.—APRIL 30. Draw a check on the Commercial Bank, in favor of your teacher, for the amount of your bank balance, and give the check to him.

POSTING.

In your ledger, at the top of page 1, write *J. M. Hastings;* 15 lines below write *Merchandise.* At the top of page 2 write *Expense,* and 15 lines below write *Loss and Gain.*

These accounts make a section of the ledger containing all the business accounts (see page 35), or accounts showing losses or gains; the Loss and Gain account, where these gains and losses are gathered under one head (see page 40); and the Proprietor, who receives the gain from the business or sustains the loss, should there be one.

On page 3 of your ledger, at the top, write *Cash;* 18 lines below write *Chas. E. Hayes;* and 15 lines below this write *Ellis & Rand.* At the top of page 4 write *T. W. Bowen & Co.;* 15 lines below write *H. A. Woodbury;* and 15 lines below this write *Bills Receivable.*

These accounts make a section of your ledger containing accounts of finance (see page 36), which show in their balances resources to the business (see page 37). In large business houses accounts with persons owing the business are generally kept in a separate ledger, called the "Customers' Ledger" or "Accounts Receivable Ledger."

At the top of page 5 write *Hatheway & Reynolds;* 15 lines below write *Smith & Dorothy;* and 15 lines below this write *Geo. C. Cary.* At the top of page 6 write *L. A. Wright & Co.;* 15 lines below write *Grunsfeld Bros.;* 15 lines below this write *Bernet & Craft;* at the top of page 7 write *Bills Payable.*

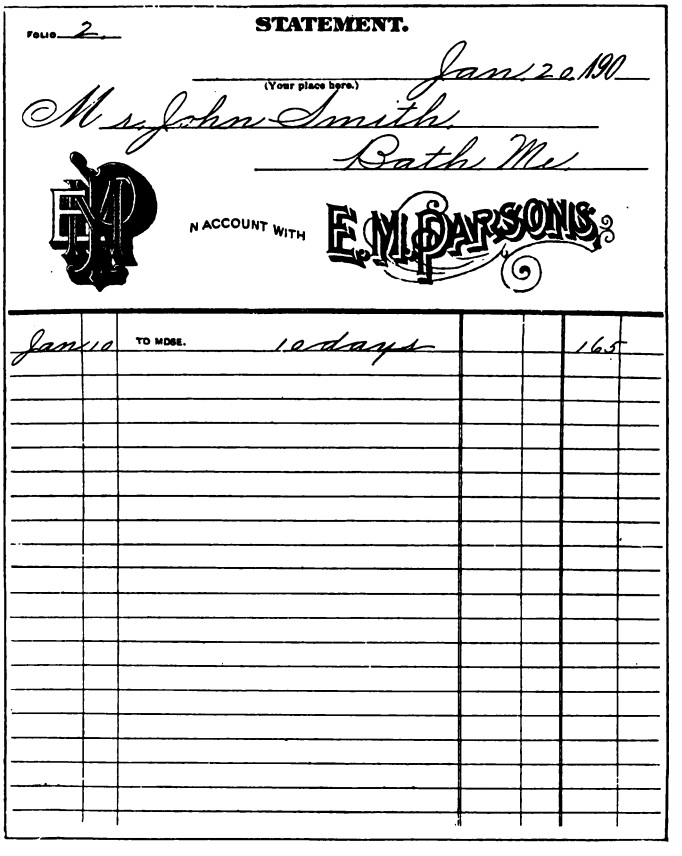
This third section of your ledger will contain all accounts of finance, which show in their balances a liability to the business.

In business it is, of course, not practicable to write the names of all ledger accounts before posting, and they are opened in the ledger in the order in which they appear in the journal; but separate sections of the ledger should be taken for each class of accounts.

Post your journal entries (see directions, page 13). Check back your postings (see directions, page 26). Take a trial balance of your ledger balances. If the trial balance is correct, take an inventory of your merchandise from the cards found in your Store Room. You should have on hand the following: 305 brls. apples; 200 brls. flour; 25 bu. barley; 675 bu. corn; 800 bu. oats; 1025 bu. potatoes. Find the value of these goods, using the latest cost price as shown by your invoices. Make statements according to forms on pages 35 and 37. Close your ledger.

STATEMENTS OF CUSTOMERS' ACCOUNTS.

An important feature of any bookkeeper's work is that attention to customers' accounts which insures prompt payment of bills as they fall due. In order to call the attention of customers to the fact that payment is desired, many business houses send a statement whenever a bill is due; *e. g.*, if John Smith & Co. bought merchandise billed at $165, Jan. 10th, at ten days, then on Jan. 20th, or perhaps a day or two later, a statement like the following would be sent him.



In the ordinary course of business, however, it is a more common practice to send each customer, at the first of the month, a statement showing the debit balance of his account up to date, whether this balance is due or not, thus calling his attention to his indebtedness and enabling him to compare the statement with your account in his ledger, and note any difference which may appear between his books and your own. A competent bookkeeper will have his statements ready to send out the first of the month as most of them can be prepared considerably in advance of that date.

Customers' statements are prepared entirely from the ledger accounts of customers, and of course the posting must be completed before the statements can be made out.

You may now prepare statements of accounts for all customers who owe you a balance.

Turn to Chas. E. Hayes' account in your ledger, and from that account prepare a statement like the following form. These are not your debit amounts.

Folio 3 STATEMENT

(Your place here.) May 1, 190

Mr. Chas. E. Hayes.

City.

In Account with J. M. HASTINGS,

146 Elm Street.

Apr.	5	TO MDSE.	459	50		
	11		988		1447	50
		Cr.				
Apr.	8		300			
	16		500		800	
					647	50

Prepare similar statements for all others who owe you a balance. Place them in properly addressed envelopes and hand to your teacher.

Present your books to your teacher for inspection, after having carefully examined them yourself to see that all rulings are correct and that page marks, dates and transfer pages have not been omitted. See that all closing entries and rulings in your ledger are in red ink, and that all transfers are in black ink.

Do not allow yourself to be careless in these small matters; they are more important than they appear. In your small ledger it is an easy matter to find an account, even if the page mark is not in the journal, but in business where the ledger sometimes has 1000 pages the omission of page marks causes much unnecessary work.

APRIL PRICE LIST.

	1	2	3	4	5	6	7	8	9	10	11	12	13
Apples	1.75	1.80	1.85	1.90	1.95	2.00	1.76	1.81	1.86	1.91	1.96	1.77	1.82
Barley	.26	.31	.36	.41	.46	.27	.32	.37	.42	.47	.28	.33	.38
Corn	.56	.30	.45	.31	.46	.51	.40	.36	.37	.50	.41	.32	.47
Flour	4.50	4.45	4.40	4.35	4.30	4.25	4.49	4.44	4.39	4.34	4.29	4.48	4.43
Oats	.26	.52	.37	.51	.36	.31	.42	.46	.45	.32	.41	.50	.35
Potatoes	.28	.32	.36	.40	.44	.48	.39	.33	.37	.41	.45	.39	.30

APRIL PRICE LIST (Continued).

	14	15	16	17	18	19	20	21	22	23	24	25
Apples	1.87	1.92	1.97	1.78	1.83	1.88	1.93	1.98	1.79	1.84	1.89	1.94
Barley	.43	.48	.29	.34	.39	.44	.49	.30	.35	.40	.45	.50
Corn	.33	.43	.53	.39	.49	.44	.34	.48	.38	.52	.42	.35
Flour	4.38	4.33	4.28	4.47	4.42	4.37	4.32	4.27	4.46	4.41	4.36	4.31
Oats	.49	.39	.29	.43	.33	.38	.48	.34	.44	.30	.40	.47
Potatoes	.34	.38	.42	.46	.50	.31	.35	.39	.43	.47	.51	.54

QUESTIONS.

1. What is the object of bookkeeping?
2. What is a power of attorney? When is it given?
3. How would you proceed with a bill of merchandise received, before writing O. K. upon it?
4. How would you show that the bill had been carried to the proper accounts?
5. Why should merchandise sold be itemized in the journal?
6. Why is it unnecessary to itemize merchandise purchased?
7. Why should a receipt be taken when cash is paid for any purpose?
8. Is a receipted bill, or a receipt, proof that a bill has been paid? Give your reasons for your answer.
9. How do you find the amount of cash received in making out your reports?
10. How do you find the amount of cash paid out?

11. How do you find the amount of cash on hand?

12. How do you find the amount of merchandise sold?

13. What is a bank?

14. Why is it customary for business houses to keep their money in a bank instead of in their own safe?

15. What is necessary to be done before opening an account with a bank?

16. How should a signature be written in the signature book of a bank?

17. What is a deposit ticket? When and how is it prepared?

18. What is a bank pass book, and who makes the entries in this book?

19. Where and when should the depositor make a record of a deposit?

20. Why is no entry required in the journal when a deposit is made in the bank?

21. What should be done with an order for merchandise when it is received?

22. How would you show that the order had been filled, and what would you do with it after it had been filled?

23. Why should orders for merchandise be carefully preserved?

24. What is the meaning of a purchase or a sale on account?

25. When terms are not mentioned on an invoice, what is understood?

26. What is a note?

27. When is a note called a bill receivable, and when a bill payable?

28. Why is a check regarded as cash?

29. Why should it be presented immediately at the bank?

30. Suppose you have a check, how would you proceed to get the money called for by the check if you were unknown at the bank?

31. Why should the stub of a check book be filled out before the check itself is written?

32. What special care should be taken in filling out a check, and what is the consequence of carelessness in this respect in case the check is raised?

33. How is it possible to determine at any time what amount remains to your credit in the bank?

34. When it is necessary to draw a check for private use, in whose name should the check be made out?

35. When cash is checked out for use in the business, to whose order should the check be drawn?

36. Where should the indorsement of a check appear?

37. Define accounts of business. Accounts of finance.

38. What is a customers' ledger?

39. What is the object of checking back postings, and when should it be done?

40. What is an inventory and when is it taken?

41. What prices should be used in taking an inventory?

42. Where are inventories carried in the ledger when that book is to be closed?

43. What is the object of sending statements of accounts to customers, and when is this generally done?

44. How often should a bank book be balanced, and who attends to this work?

TEA, COFFEE AND SPICE BUSINESS.

Books Kept.—The books which you will keep in this work are the journal-daybook, cash book, sales book and ledger.

Cash

190-		L.F.						
May	1		A. B. Fowler	investment	6000			
	2		C. H. Carroll	bill of Apr. 20	268	75		
	3		Bills Rec.	A. M. Frye's note 7%	721	80		
	5		A. R. Free	in full of acct.	209	70		
	7		D. B. Hill	bill of May 1	176			
	9		Bills Pay.	note disc.	600			
	11		M. C. Dean & Co.	on acct.	925			
	12		Mdse. Disct.	invoice 7% 2%		4	20	
	13		Bills Rec.	C. B. Lyons, note 60 disc.	700			
	15		P. M. Traines	on acct.	260	45		
							9865	45
May	16		Balance	on hand			2965	60

The Cash Book.—Cash transactions will be numerous in almost any business, and from this fact it has been found advisable to take the Cash account from the ledger and place it in a book called the "Cash Book," which contains on its left-hand page all cash debits, with the name of the account to be credited in the left-hand explanation space, and in the right-hand explanation space a brief description of the transaction. The amount is entered in the left-hand money column. All items of cash paid out or cash credits are entered on the right-hand page of the cash book, with the name of the account to be debited in the left-hand explanation space, and a brief description of the transaction in the right-hand explanation space. The amount is entered in the left-hand money column.

Since the debit of the cash book shows all cash received, and the credit all cash paid

out, it is evident that the difference between the two sides of the cash book should show at any time the amount of cash on hand.

It is unnecessary to keep a Cash account in the ledger, although some bookkeepers do so, carrying the total of the left-hand page to the debit side of Cash, and the total of the right-hand page to the credit side of Cash in the ledger.

Cash

1901		L.F.						
May	2		Expense	rent 50, books 12, stamps 2,	64			
	3		Real Estate	lot, 212 Allen St.	2900			
	4		Mdse.	bot. of A. J. Carson & Co.	1600			
	6		Bills Pay.	note favor Larson & Co. 7/6	720			
	9		Discount	" " F. N. Bnk. 60 ds.	6			
	11		Expense	clerks 20., insurance 30.	50			
	12		M. A. Ellis & Co.	inv. 7/6,	210			
	13		Discount	C. B. Lyon, note disc. 4/3		5	02	
	13		A. M. Dennis	on acct.	295			
	14		L. C. Merritt	in full of acct.	644			
	15		Mdse.	freight	13			
	15		"	bot. of L. M. Carter & Co.	392	75	6899	77
	15		Balance	on hand *			2965	68
							9865	45

*To be entered in red ink.

The cash book should be balanced at frequent intervals. If a considerable amount of business is done in cash, it is well to balance the cash daily. In this and in all following sets, the Cash account will be kept in the cash book only, and not carried into the ledger. Remember the cash book *is* the Cash account of the ledger, therefore, the balance of the cash book must be carried into the trial balance when that is taken from the ledger.

The Sales Book.—It is customary in business to place all sales of merchandise, whether for cash, on account, or for a note, in a book called the "Sales Book." The footing of this book will at any time show the total sales of merchandise to date. This book does away with a long Merchandise account in the ledger, as the footing of the sales

book is carried to the credit of Merchandise in the ledger at the end of each month, or as often as may be desired.

The second or right-hand money column of the sales book contains the amounts which are to be charged to the debit of the respective accounts, and all discounts and allowances must be entered in the first, or item, column.

FORM OF SALES BOOK.

May 1, 190–.

T. J. Stewart, City. On acct., 30 ds.					
5 hf. chts	Y. H. Tea	375#	40	150	
10 bales	Mocha Coffee	1500#	30	450	
5 mats	Java "	350#	25	87 50	
5 bags	Rio "	375#	20	75	762 50
2					
Frank Bros. & Co., City. Cash, 2%					
5 bales	Mocha Coffee	760#	30	228	
2 hf. chts.	Eng. Breakfast Tea	140#	35	49	
				277	
	2% Disc., Cash			5 54	271 46
"					
Allen & Bennett, Utica, N.Y. Note, 4 mos.					
2 hf. chts.	Japan Tea	150#	35	52 50	
3 " "	Y. H. "	145#	30	43 50	
2 bales	Mocha Coffee	300#	30	90	
1 bag	Maracaibo "	125#	15	18 75	204 75

WORK FOR THE STUDENT.

No. 1.—MAY 1. Being offered a higher salary, and considering that the business affords a better opportunity for advancement, you have accepted a position as bookkeeper for Henry F. Adams, wholesale dealer in Tea, Coffee and Spices, at 246 Main St., your city, at a salary of $75 per month. Mr. Adams will do all the buying and fix all selling prices of the goods, and as he is on the road a large part of the time, will give you a power of attorney similar to the one you received from Mr. Hastings, your former employer. File the power of attorney after filling in the proper names in the blank spaces. You will receive all goods, verify the prices, etc., attend to the filling of all orders, and to the delivery of the goods sold, and have full charge of the books of the business.

No. 2.—MAY 1. Ask your teacher to assign you a price-list from the numbered lists on pages 100 and 101, and take from your incoming voucher pad the cash required for Henry F. Adams' investment.

Make an entry in your journal-daybook, giving a description of the conditions under which the business is begun. Do not extend the amount of cash received in the money column. The following illustrates the form of your journal-daybook entry.

May 1, 190–

Eben W. Jones has this day commenced the Wholesale Tea, Coffee and Spice business, at 172 North St., investing cash, $6000.00

It is usually customary in commencing business to write in the journal-daybook a brief statement of the conditions under which the business was commenced, and if it be a partnership, a brief summary of the partners' agreement. This record is made in the journal-daybook, as a matter of convenience only. The amount is not extended in the money column, as this is a cash transaction, but the entry therefor is made in the cash book.

Cash Book Entry.—Enter the amount of cash received in your cash book. The following illustrates the form of the entry, but the amount and explanation are different.

Cash

190– May	1		B. W. Lyman	investment	9200	

The investment is entered in the first money column of the debit or left-hand page of the cash book. The left-hand explanation space contains the name of the account to be credited, while the right-hand space contains a brief description of the transaction. The extra vertical column at the left is for the page of the ledger when the item is posted. Rule the extra line in your cash book. Place the cash in your Cash Drawer.

No. 3.—MAY 1. Pay one month's rent in advance to, and take a receipt from, the National Real Estate Co., which owns the building at 246 Main Street.

Make an entry for this transaction on the credit or right-hand page of the cash book. The following illustrates the form of cash book entry, but the amount is different.

Cash

190- May	1		Expense	rent for May		90	

The left-hand explanation space contains the name of the account to be debited, while the right-hand explanation space gives a brief description of the transaction. All cash received or paid out must be entered in the cash book.

No. 4.—MAY 2. You have purchased of the Upton Coal Co., 5 tons coal at $5.25, amounting to $26.25.

This is a cash transaction and the entry will be made on the credit side of the cash book, since cash is paid out. The following shows the form of entry, but the amount is different. Rule the extra line in your cash book.

May	1		Expense	5 tons coal		25	

No. 5.—MAY 2. You have received an invoice of merchandise from West, Stone & Co., New York.

In this series of transactions you will not receive cards to represent merchandise, but will assume that the merchandise has been received, and will check each item on the invoice after verifying the calculations. If found to be correct, O. K. the invoice and place it in your Invoice File. This transaction calls for an entry in the journal (see rule 7, page 12).

No. 6.—MAY 2. Invoice No. 6 has been purchased of L. Hennes & Co., New York, by Mr. Adams, who has agreed to give a note at 60 days in payment.

Verify the calculations. Mr. Adams' O. K. is on the invoice, which you may place in your Invoice File. Write the note required by the transaction and place it in Bills Payable File. Do not forget to fill out the stub of your note book.

In this transaction you will debit *Merchandise* in the journal and credit *L. Hennes & Co.* for the amount of the invoice, and debit *L. Hennes & Co.* and credit *Bills Payable* for the amount of the note given them in payment.

If L. Hennes & Co. were not a house from which Mr. Adams was making regular purchases on account, it would be unnecessary to carry this invoice to their personal account, as the journal entry,

Mdse., *Dr.*, and *Bills Payable. Cr.*, would be sufficient to record the transaction (see No. 54, page 30); but as Mr. Adams is purchasing of L. Hennes & Co. on account, it is advisable that their account in your ledger should show all transactions made with them, hence this account is carried to their credit in the ledger, and they are immediately debited for the note sent in payment.

No. 7.—MAY 2. You may deposit in the Commercial Bank all your cash, except $200, which you will retain in the Cash Drawer. Make out a deposit slip and hand it to the bank teller with the currency and bank pass book. Do not fail to enter the deposit on the stub of your check book.

No. 8.—MAY 3. This invoice of merchandise has been purchased of Shields Bros., City, for cash, and you receive a discount of 2%.

Verify the calculations, see that your discount is right, and if the bill is correct make a journal entry debiting *Mdse.* and crediting *Shields Bros.* Write a check for the amount called for. See that the stub of your check book is properly filled out before you detach the check from the book. Deduct the amount of the check from your balance in the bank. Place the check in Cash Paid Out, and place the invoice in your Voucher File. This is a cash transaction and should be entered in your cash book. Write on the credit or right-hand side of the cash book the amount, and in the first explanation space, *Shields Bros.*, which is the name of the account debited. In the second explanation space write *invoice of May 3.*

No. 9.—MAY 3. Order No. 9 calls for a sale of merchandise on account.

Make out the bill, checking each item on the order as soon as entered on the bill. Verify your calculations and be sure the bill is right. In this month's work all sales of merchandise on account will be entered in the sales book. You will therefore enter the same items and prices on page 1 of this book. The following is the form of sales book entry; the amounts are different. Rule the extra vertical lines in your sales book.

May 3, 190-

E. M. Barnard, City. 60 ds. 2/10.					
5 hf. chts. Japan Tea	300#	46	138		
2 " " Y. Hyson "	140#	35	49		
3 cases Ceylon "	150#	40	60		247

All merchandise sold should be entered in the sales book.

Fold the order and place it in your Voucher File; place the bill in Vouchers for Others.

No. 10.—MAY 4. You have received an order calling for goods at a cash price, which is 3% less than your regular credit price.

Make out the bill and deduct 3% discount from the gross amount. Use bill No. 8 in your Voucher File as a model. The net amount of the bill should agree with check

No. 10, $611.10, which you will receive from F. C. Tenney in your Incoming Vouchers. Receipt the bill and place it in Vouchers for Others. Place the check in your Cash Drawer. Enter the sale in your sales book, one line below your last entry, debiting F. C. Tenney. Place the date in the middle of the line, as in the journal. All gross amounts and discounts appear in the first money column only, net amounts being carried into the second money column.

The following shows the form of your sales book to date, the names and amounts being different.

May 3, 190-

E. M. Barnard, City, 60 ds. 2/10,					
5 hf. chts. Japan Tea	300#	46	138		
2 " " Y. Hyson "	140#	35	49		
3 cases Ceylon "	150#	40	60		247
4					
D. E. Allen & Co. Cash 3%					
3 hf. chts. Japan Tea	120#	40	48		
2 " " Oolong "	100#	60	60		
5 cases Ceylon "	250#	50	125		
			233		
Disc. 3%			6 99	226	01

Enter the cash in your cash book, giving F. C. Tenney credit for the net amount of the bill, as shown by his check No. 10, and in explanation space write "*invoice S. B.*"

Many bookkeepers in making cash sales enter the sale in the sales book as usual, but do not post to the debit of the person to whom the sale is made, placing a check mark against his name. They enter the cash on the debit side of the cash book, with the name of the person or the word "merchandise," but do not post it from that book to the credit of the person, placing instead a check mark against his name in the folio column of the cash book. This method of handling cash transactions has it advantages, as it saves the two postings to the ledger, which offset each other. The footing of the debit side of the cash book will show the debit of cash, and the footing of the total column of the sales book will show the credit of merchandise, so that the proper debit and credit will appear, even though the person who made the purchase is not debited with the purchase and credited with the payment.

Many business houses, however, wish to know just how much business they have done with each customer, and this can only be shown by charging the customer for cash sales the same as for sales on account. When this is done his ledger account shows at a glance just how much business he is doing

with the house each month, and this information is usually considered of much more value than the saving of time made by the bookkeeper when he omits to post such items.

In this and the following month's work, cash sales, except for occasional small purchases made by individuals who are not regular customers, will be entered in the sales book and charged to the persons making them, while the payments will be entered in the cash book and credited to the persons making them. In this way the ledger accounts of all regular customers of the business will show the amount of purchases they have made during the continuance of the business.

No. 11.—MAY 4. This order is for merchandise on account.

Make out the bill and check the items on the order. Enter the transaction in the sales book and place the order in your Voucher File. Be sure the amount is correct.

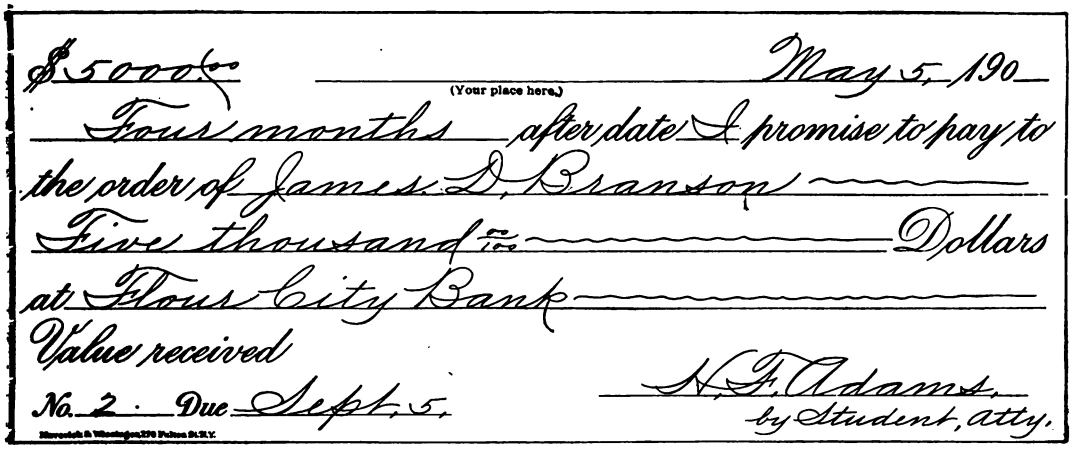
No. 12.—MAY 4. This bill is for books and stationery to be used in the office.

Verify the calculations, O. K. the bill, and write a check for the amount. Enter in the cash book. Do not fail to deduct the amount of the check from your bank balance. This is a common error and causes much trouble in balancing the bank account at the end of the month.

No. 13.—MAY 5. This bill is for office furniture and a safe, which Mr. Adams has purchased for permanent use in the business, and an account will be kept in the ledger with "Furniture and Fixtures."

Fill out a check for the amount and make the proper entry in the cash book, debiting *Furniture and Fixtures* instead of Expense.

No 14.—MAY 5. Mr. Adams, has decided to purchase the building and lot at 246 Main St. of the National Real Estate Co. Their price is $12000 cash. Not having this amount on hand, Mr. Adams has arranged with James D. Branson to indorse a note for him so that he may borrow $5000 of the Commercial Bank. The following is the form of note required.


$5000.00 (Your place here.) May 5, 190_

Four months after date I promise to pay to the order of James D. Branson

Five thousand 00 Dollars

at Flour City Bank

Value received

No. 2 Due Sept. 5.

H. F. Adams.
by Student, atty.

Indorsing a note consists in writing one's name on the back of the note, and the person who thus writes his name becomes responsible for the payment of the note in case the maker fails to make payment when it becomes due. In the case of the note given above,

the note is made payable to the order of the indorser, who writes his name upon the back and gives it to H. F. Adams. Adams takes the note to the bank, receives the money, and will pay the note when due. In case he should fail to do this, then James D. Branson would be called upon to pay it.

Write this note, using the model form on page 75, but make it payable at Commercial Bank. Take the note to your teacher, who will indorse it for James D. Branson, if it is correct; then take it to the bank for discount. The note is due Sept. 5th, which is 123 days after May 5th, the date of discount.

Bank discount is found by taking the simple interest on the face of the note for the time in days from the date of discount to the date of maturity; therefore, you may find the interest on $5000 at 6% for 123 days, which is $1xx.xo. Subtract this amount from $5000, and the remainder, $489x.xo, is the net proceeds or amount to be placed to your credit.

HOW TO CALCULATE SIMPLE INTEREST AND BANK DISCOUNT.

Bank discount is the simple interest on the face of commercial paper for its unexpired time; that is, from the date the paper is discounted to the day upon which it becomes due. In this work the exact number of days between these two dates will be used in all calculations of bank discount. For instance, a note dated May 1st at four months would be due Sept. 1st of the same year; but most banks discounting such paper for the full time would not calculate the interest on its face for four months (120 days), but would take the exact number of days between May 1st and Sept. 1st (123 days). This must be remembered in all calculations of bank discount. First find the date the note becomes due; next find the number of days to elapse from the day of discount to the day of maturity, and then calculate the simple interest on the face of the note for this number of days at the rate of discount given, and you have the bank discount.

The method of counting time for discounting notes varies in different banks, and often in the same bank. Some banks count months for the full number of months, and days for the fraction of a month; others count the actual number of days; while some few count one day more than the actual number of days.

If you have no special method of calculating simple interest, you may use the following rule:

Rule.—*First, find one-thousandth of the principal, or face of the paper, by removing the decimal point three places to the left, then multiply by the number of days from the date of discount to the date of maturity, and divide by 6. The result will be the bank discount or simple interest at 6%. If any other rate than 6% be required, divide this result by 6, thus obtaining the interest at 1%, and multiply by the rate required.*

The above rule is based on the following reasoning.

The	interest	on	one	dollar	for	1 year	at	36%	36¢
"	"	"	"	"	"	2 months	"	"	6¢
"	"	"	"	"	"	10 days	"	"	1¢
"	"	"	"	"	"	1 day	"	"	1 mill.

But 1 mill is one-thousandth of a dollar; therefore, it is evident, according to this reasoning, that one dollar at 36% will double itself in 1000 days. If this is true of one dollar, it is true of any number of dollars, and if we take one-thousandth of any principal, no matter what it may be, we shall have the interest on that principal for one day at 36%. To find the interest for any number of days, it is only necessary to multiply the interest for one day, or one-thousandth of the principal, by the number of days, and we have the interest on that principal for the number of days given at 36%. Dividing this result by 6, we get the result at 6%; dividing it by 4, would give us the interest at 9%; or dividing by 9 would give us the interest at 4%, etc. When no rate of interest is mentioned, 6% is understood.

Discount Memorandum.—Take a discount memorandum and fill it out properly. Supply the items from Mr. Adams' note. Pin the memorandum and the note together, and hand them with your bank pass book to the bank teller, who will place the amount to your credit if you have calculated the discount and the net proceeds correctly.

The following is a form of memorandum which is in use. The name and amounts are not the same as appear in your memorandum.

FORM OF DISCOUNT MEMORANDUM.

DISCOUNT MEMORANDUM.

DATE May 1, 190-

DISCOUNTED FOR B. M. Parker

MAKER B. M. Parker

FACE 5000.00 INT. ——— TOTAL ———

DISC. 90.45 COLL. ——— TOTAL ———

PROCEEDS. 4909.55

The student will fill out this blank and pin to the Note before presenting it at the bank.

In case no bank is conducted with this work, you may place the note and discount slip in Bills Payable File, and enter the amount of the proceeds on the left-hand page of your bank pass book, as shown in the following illustration.

May	5	J. D. B. note proceeds 4102.50		4897	50

After the amount has been entered in your pass book, place the net proceeds upon the left-hand stub of the check book, as shown in the following illustration.

190-				
May	1	Branson note discounted. Proceeds	4897	50

Add the amount $4897.50 to the amount now on deposit.

Cash Book Entry.—Make an entry on the debit side of the cash book for the face of the note, $5000. The following illustrates the form of your entry.

May	5	Bills Pay.	Branson note at 4 mos disc	5000			

By making an entry on the debit side of the cash book you debit *Cash* and credit *Bills Payable.*

Make an entry on the credit side of the cash book for the amount of the discount, $102.50. The following illustrates the form of your entry.

By making an entry on the credit side of the cash book you credit *Cash* and debit *Discount*.

The bank really gave you only $4897.50, but you can readily see that if the bank had given you $5000, you would have been required to take from the $5000 the sum of $102.50 and pay it to the bank for discount; and this is the principle upon which the cash book entries are made.

Rule 19.—*DISCOUNT is debited when it is allowed to other persons, or when it is paid to the bank for cashing a note or draft before it is due.*

It is evident that the accounts affected by the transaction in the above example are Cash, since cash has been received by the business; Discount, since discount has been allowed the bank for cashing the note 123 days before it is due; and Bills Payable, since Mr. Adams has given a note payable in four months. It is evident that *Cash* should be debited, since cash has been received (see rule 3), and that *Bills Payable* should be credited, since a note has been issued (see rule 16). Discount has cost the business value, since you have allowed the bank $102.50 for cashing a note before it is due; therefore, *Discount* should be debited (see rule 19).

If the entries were made in the journal, *Cash* and *Discount* would be debited and *Bills Payable* credited, according to the following form.

Cash,	4897.50	
Discount	102.50	
Bills Payable		5000.00

No. 15.—MAY 5. You have received from the National Real Estate Company the deed of the building and lot No. 246 Main St.

Write a check for the amount called for in the deed. In this transaction real estate has cost the business value, and therefore *Real Estate* should be debited. The Real Estate account is subject to the same rules as the Merchandise account.

A deed is always received when real estate is purchased, since the title to real estate is shown by this document. The document should be recorded as soon as it is received, since the seller of the real estate might dispose of it to another party, giving a second deed, and in such a case the deed first recorded would be held, at law, a good title to the property.

Rule 20.—*Debit REAL ESTATE when purchased, and for all amounts paid for its improvement and permanent repairs.*

No. 16.—MAY 6. This invoice has been purchased of the E. Westen Tea & Spice Co. by Mr. Adams.

Verify the calculations and file the invoice, making the proper entry in your journal.

No. 17.—MAY 6. This order is accompanied by a note for $500 to apply on account.

Make out the bill and check each item on the order. Enter in the sales book as a sale on account, making no mention of the note for $500 received with the order. In your journal make the proper entry for the note. What account should be debited? What account should be credited? Place the note in your Cash Drawer.

No. 18.—MAY 8. Take from your Cash Drawer the note received from A. A. Knowles & Co., and indorse it to your bank. Calculate the discount on the note from May 8th to the date of maturity (58 days). The discount on $500 for 58 days at 6% is $4.x3. (For method of calculating discount, see page 76.) Make a discount memorandum and attach it to the note; take the note to the bank teller, and have the net proceeds entered in your bank pass book. Enter the amount on the stub of your check book, as explained in No. 14, and add the amount to your bank balance. Make an entry on the debit side of the cash book for the face of the note ($500), as in transaction No. 14. The following illustrates the form of your entry, though the amount and explanation are different.

May 10	Bills Rec.		Allen & Co. disc.	560	

Make an entry on the credit side of the cash book for the amount of the discount. The following illustrates the form of your entry, but the amount and explanation are different.

May 10	Discount		Allen, note 40 ds.	4 40	

In case there is no bank, enter the proceeds in your bank pass book (see model and transaction No. 14, page 77), and place the note in Vouchers for Others.

No. 19.—MAY 8. Make out the bill, checking the items on the order. Verify your calculations and make the proper entry.

No. 20.—MAY 8. Take from your Cash Drawer F. C. Tenney's check in your favor, and enter it upon a deposit ticket. Indorse the check properly (see illustration, page 62), place the deposit slip with the check in your bank pass book, and have the amount entered at the bank. Enter the amount on the stub of your check book and add to your deposit. Make no entry in the cash book.

No. 21.—MAY 8. FOURTH REPORT.

Fill out the report blank, answering the first five questions. Balance your cash book (see model, pages 68 and 69) and see if the amount agrees with your report and also with your bank balance plus the amount in your Cash Drawer, if any. Hand in your cash book, journal, sales book and also all vouchers for inspection.

No. 22.—MAY 9. The invoice of April 30th received from West, Stone & Co. must be paid to-day, if you desire to take advantage of the 3% discount for payment in 10 days. Take the invoice from you Invoice File and calculate the discount on the amount, $1693.50, at 3%, which is $5x.xx. Deduct this amount from $1693.50 and draw a check for the net amount of the bill. On the stub of the check show the amount of the bill and

the discount, as well as the net amount shown by the check itself. You have paid West, Stone & Co. the entire bill of $1693.50, so you may enter on the credit side of your cash book the following.

But West, Stone & Co. have allowed you $50.81 discount for paying the bill within 10 days, which is the same as if you had given them $1693.50 in cash and they had counted out $50.81 of this cash and handed it back to you as discount. Bearing this in mind, you will see that on the debit side of the cash book should appear the following entry.

Merchandise Discount is credited because it has produced value to the business, a bill of $1693.50 being settled for $50.81 less than its face.

Rule 21.—*MERCHANDISE DISCOUNT is credited when it is allowed the business by other persons for the payment of a bill within a certain time.*

A distinction is made between discount on notes and discount on invoices of merchandise. The former is called "Discount" simply, while the latter is designated as "Merchandise Discount," or "Commercial Discount." The two kinds of discounts are of entirely different characters, and should never be charged to the same account.

In the payment of bills on which commercial (merchandise) discounts are allowed, it is usually customary to have a special column in the cash book in which to enter the discount.

No. 23.—MAY 9. This order calls for your lowest cash discount. Make out a bill at the regular prices, and opposite *Terms* write, *Cash 3%*. Enter the sale in the sales book. Do not deduct the 3% discount. You have not yet received your cash; therefore, charge Fletcher Bros. with the full amount, and if they pay the bill within two or three days, allow them the discount, as it is customary to consider such sales the same as cash.

No. 24.—MAY 10. This purchase has been made of Shields Bros., City, by Mr. Adams. Verify the calculations, place the invoice on file, and make the proper entry.

No. 25.—MAY 10. The goods delivered to Fletcher Bros., May 9th, have been paid for, less 3% discount allowed for cash.

The face of the bill is $728.50. Three per cent of $728.50 is $2x.xx. The bill has been paid in full. Make an entry on the debit side of the cash book for the full amount of the bill ($728.50), writing *Fletcher Bros.* in the explanation column. Make an entry on the credit side of the cash book for the amount of discount, writing *Merchandise Discount* in the explanation column. This transaction resembles No. 22, but the conditions are reversed. You receive cash and allow merchandise discount, instead of paying cash and having merchandise discount allowed you.

Rule 22.—*MERCHANDISE DISCOUNT is debited when allowed to other persons for the payment of a bill within a certain time.*

No. 26.—MAY 11. Dickson & Young hand you this amount on acct., $200 in currency. Place the bills in your Cash Drawer, give a receipt, and make the proper entry.

No. 27.—MAY 11. Deposit $200 currency and the check of Fletcher Bros. in Commercial Bank.

Make a deposit ticket, placing *$200* opposite *Currency*, and the amount of the check opposite *Checks*. Take the ticket with the cash and the check to the bank, and have the amount placed to your credit. Do not forget to add this amount to the balance on deposit, as shown on the stub of your check book.

No. 28.—MAY 12. Make out the bill and check each item from the order. File the order and make the proper entry.

FORM OF ACKNOWLEDGMENT OF REMITTANCE.

Rochester, N.Y. May 12, 190—

F. C. Warner & Bros.

Springfield, Mass.

Gentlemen:

Your favor of May 10 is at hand, enclosing check for $ 246.50 in payment of invoice, Apr. 10

We have placed this amount to your credit, and awaiting your further orders, we remain,

Yours truly,

WILLIAMS & ROGERS.

C.

No. 29.—MAY 14. H. F. Adams draws $100 for private use.

Make a check payable to the order of H. F. Adams, entering the proper explanation on the stub and deducting the amount from the bank balance. Make the proper entry. Get the cash from the bank, but do not put it in the Cash Drawer, as it is not for the business but for Adams' private use. As this $100 is not used in the business you may hand it to your teacher.

No. 30.—MAY 14. When Mr. Adams bought the building #246 Main St., it was insured by the Equitable Fire Insurance Company for $8000. The policy, No. 27614, expired to-day, and you may write a check for $80 to pay for a new policy for the coming year. Do not fail to fill the stub and deduct the amount from your bank balance. Make the proper entry.

In case a large amount of insurance is carried, it may be advisable to open an Insurance account instead of carrying the cost of insurance to the Expense account, but in the ordinary course of business it may very consistently be carried to the Expense account, since there is no return from it.

No. 31.—MAY 15. Make a bill, with the terms called for in the order. Check each item. Place the order on file and make the proper entry.

No. 32.—MAY 15. This check is received on account. Write an acknowledgment of the remittance (see form, page 81) and place the check in your Cash Drawer, making the proper entry. Balance your cash book. Rule and foot, and bring down your balance on the debit side (see form, pages 68 and 69).

No. 33.—MAY 15. FIFTH REPORT. Make your report and see that your cash on hand in the report agrees with the cash as shown by the balance on the stub of your check book, plus the currency and checks in your Cash Drawer, and also see that it agrees with the balance of your Cash account, as shown in the cash book.

Present all books and vouchers to your teacher for approval.

POSTING.

You will post the entries for this month in the same ledger that you used for the April work, beginning on the first blank page, which you will number *1*. Number the other pages as the accounts are opened.

At the top of page 1 write *H. F. Adams*. At the top of page 2 write *Merchandise*. In the middle of page 2 write *Expense*. At the top of page 3 write *Merchandise Discount*. In the middle of page 3 write *Furniture and Fixtures*. At the top of page 4 write *Real Estate*. In the middle of page 4 write *Discount*. In the middle of page 5 write *Loss & Gain*. At the top of page 6 write *Bills Receivable*. In the middle of page 6 write *A. A. Knowles & Co.* At the top of page 7 write *Dickson & Young*. In the middle of page 7 write *A. W. McKey*. At the top of page 8 write *F. C. Tenney*. In the middle of page 8 write *Fletcher Bros.* At the top of page 9 write *F. H. Randall & Co.* In the middle of page 9 write *Rice & Pond*. At the top of page 10 write *E. Mason & Co.* At the top of page 14 write *Bills Payable*. In the middle of page 14 write *West, Stone & Co.* At the top of page 15 write *E. Westen Tea & Spice Co.* In the middle of page 15 write *Shields Bros.* At the top of page 16 write *L. Hennes & Co.* In the middle of page 16 write *Chas. K. Fox*.

You may now post your books. Post all entries from your journal as in previous sets.

Posting from Cash Book.—The amounts on the debit side of the cash book are posted to the credit side of the accounts named in the space at the left of the debit page of the book. The following shows the first amount as posted to H. F. Adams' account.

H. F. Adams

						190- May	1	C	2	88	00

"C" in the explanation space indicates that the amount was taken from the cash book, page 2. The amounts on the credit side of the cash book are posted to the debit side of the ledger accounts named in the left-hand explanation space. The following illustrates the second amount posted from the debit side of the cash book. The debit posting of this account is from the sales book. Post all debit items in a similar manner.

F. C. Tenney

190- May	4	Cash, 2%		1	61	10	190- May	4	C	2	61	10

The following illustrates the first two amounts posted from the credit side of the cash book. Post all credit items in a similar manner.

Expense

190- May	1	C		3	75								
	2	"		3	26	25							

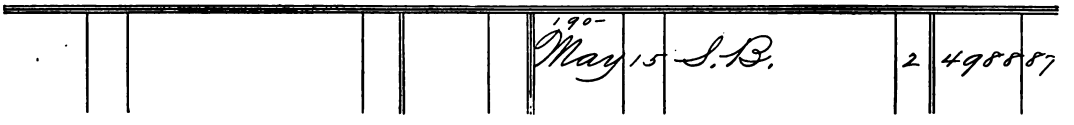
In the second vertical column at the left of each page of the cash book is placed the page of the ledger account named. Be sure that all items from the cash book have been carried to the ledger.

Posting from the Sales Book.—The footing of the sales book should be placed to the credit of Merchandise in the ledger, since it indicates the amount of merchandise sold, and each sale entered in the sales book should be posted to the debit of the person to whom the sale was made, with the terms of sale in the explanation space. The ledger

page of this person's account should be placed in the vertical column at the left of the sales book. Add each total column of the sales book, carrying the footing of each page of this book forward to the top of the next page. Rule and foot to May 15th, and carry this amount to the credit of Merchandise account in your ledger, writing the ledger page in the folio column of the sales book opposite the footing.

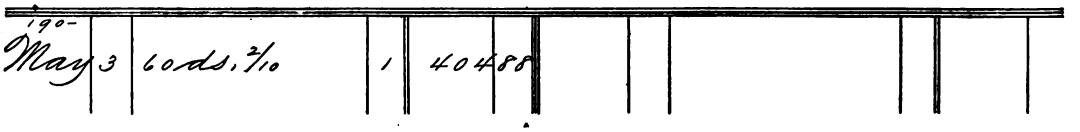
The following illustrates the posting of the footing of the sales book.

Merchandise



The following illustrates the first item of the sales book as posted. (For illustration of second item of sales book, see debit side of F. C. Tenney's account, page 83.)

A. W. McKey



In posting from the sales book, the terms of the sales should be carried to the ledger to enable the bookkeeper to make out his statements when due, should he desire to do so. It will be seen that in this set the ledger is made up of postings from three books of original entry—the journal, cash book and sales book—instead of from a single book—the journal—as in previous sets. Any account in the ledger may contain postings from all three of these books of original entry. In this case the dates will not be consecutive in the date column of the ledger, as each book of original entry is posted entire before another book is taken up. The numbers in the page column of the ledger will refer to different books, but the explanation "C" will show when the cash book is indicated, the terms of sale will indicate the sales book, while "J" may be used to indicate the journal; or the absence of any explanation would indicate that book.

TRIAL BALANCE.

Take a trial balance of your ledger. (For instructions, see page 33.)

Do not forget to place the balance of cash, as shown by your cash book, on the debit side of your trial balance. This is a common omission. Remember that the cash book is really the Cash account of the ledger, and its balance, like that of any ledger account, must be carried to the trial balance.

Present your trial balance to your teacher, and if correct, copy it on the next page of

your trial balance book following your April statement. Do not make a statement of gains and losses, resources and liabilities, as the trial balance is taken at this time merely to show that your posting is correct, and that you understand the posting of the cash book and the sales book.

No. 34.—MAY 17. Rice & Pond, of Georgetown, your state, have sent you an order, and have given you satisfactory references.

Bill them the goods at regular prices, subject to 3% cash discount. This lot of goods must be sent by freight, and you may prepare three shipping receipts like the model receipt which follows.

SHIPPING RECEIPT.

(Your place here.) May 17, 190—

Received from H. G. Adams

BY INTER-STATE TRANSPORTATION COMPANY.

The property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and destined as indicated below, which said Company agrees to carry to the said destination, if on its road, otherwise to deliver to another carrier on the route to said destination.

It is mutually agreed, in consideration of the freight charged for this service, as to each carrier of all or any of said property, over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, shown or endorsed hereon, and which are hereby agreed to by the shipper and by him accepted for himself and assigns as just and reasonable.

MARKS, CONSIGNS AND DESTINATION.	DESCRIPTION OF ARTICLES.	WEIGHT SUBJECT TO CORRECTION.
Rice & Pond,	8 hf. chts. Tea	
Georgetown,	1 bale Coffee	
N. Y.	2 mats "	

For Inter-State Transportation Company,

ORIGINAL. (To be returned to the shippers.)

_____ *Freight Agent.*

These receipts, sometimes called bills of lading, are generally made in triplicate. The original receipt is generally forwarded to the person who ordered the goods; the second, or forwarding receipt, is kept by the freight agent; and the third receipt is allowed to remain in the shipping book for comparison, in case goods are lost or any dispute arises in connection with the shipment. Take the receipts to your teacher or the freight agent for signature. Enclose bill and shipping receipt in an envelope properly addressed. You will make out these shipping receipts to accompany all bills of merchandise sold to out of town customers.

No. 35.—MAY 18. Write a check for $800 and send it to E. Westen Tea & Spice Co., accompanied by a letter like the following.

Hall, Hartwell & Co.
successors to
Miller, Hall & Hartwell,
Manufacturers of
Men's Shirts, Collars & Cuffs.

Troy, N.Y. May 18, 19e

E. A. Morrison & Co.
262 Broadway,
N.Y.

Gentlemen:

Herewith find check on

Com'l Bk for $ 800.00

in payment of on acct.

Please acknowledge receipt and oblige.

Yours truly,

HALL, HARTWELL & CO.

The Telegram.—The telegram has become an important feature of modern business, and it is now used very extensively in ordering goods for immediate delivery. Most of the telegraphic business of the country is transacted by two companies, the Western Union Telegraph Company and the Postal Telegraph Company. The Western Union has communication with almost every city, town and village in the United States, and through the Atlantic cable, with almost every part of the world.

The charge for a telegram depends somewhat upon the distance, and, except in the case of cable messages, it is a fixed sum for a ten-word message, and an additional charge for each word in excess of that number, no charge being made for the name and address of the person to whom the message is sent or the name of the sender. Night messages, that is, messages sent at the convenience of the Company after 6 P. M., are taken at about half the regular rate, and a large proportion of business messages are of this kind.

In writing a telegram care should be taken to avoid the use of all superfluous words, and yet the message must be clear and definite, that mistakes may be avoided. Figures should be written out in full, since the charge is the same for a figure as for a word; for instance, 20 written in figures (20) would be charged as two words, while written in full (twenty) would be charged as only one word. In sending important messages, those in which a mistake would mean the loss of a large sum of money, it is better in every case to have the telegram repeated; that is, the operator at the point to which the message is sent after receiving it telegraphs it back to the operator at the sending point, and the sender knows that his message has been received as it was sent, which is not always the case, as telegraph operators are only human, and mistakes are by no means uncommon. The charge for repeating a message is one-half more than the original cost.

The cost of cablegrams is a certain amount for each word, and the same charge is made for the address as for the words which make up the body of the message. Business houses generally have a code for cablegrams; that is, the name and address are represented by one word; for instance, Smith, Jones & Robinson, 42 Soho Square, London, E. C., England, would be represented by a single word, as "Extract."

The following form of telegram shows the correct method of writing a message containing figures.

THE COMMERCIAL TELEGRAPH COMPANY.

INCORPORATED

21,000 OFFICES IN AMERICA. **CABLE SERVICE TO ALL THE WORLD.**

This Company **TRANSMITS** and **DELIVERS** messages only on conditions limiting its liability, which have been assented to by the sender of the following message. Errors can be guarded against only by repeating a message back to the sending station for comparison, and the Company will not hold itself liable for errors or delays in transmission or delivery of **Unrepeated Messages**, beyond the amount of tolls paid thereon, nor in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission.
This is an **UNREPEATED MESSAGE**, and is delivered by request of the sender, under the conditions named above.

PHILO M. BECKLEY, PRESIDENT AND GENERAL MANAGER.

Receiver's No.	Time Filed	Check

SEND the following message subject to the terms on back hereof, which are hereby agreed to.

May 16. 190__
(YOUR PLACE HERE).

To John L. Osborne,
26 Madison Ave, New York.

Send	by	train	thirteen,	forty
cases	number	sixteen	braid,	
			A. B. Ellis,	

☞ READ THE NOTICE AND AGREEMENT ON BACK. ☜

No. 36.—MAY 18. Write a telegram, of not more than fifteen words, ordering of West, Stone & Co., 10 half-chests each Japan and Young Hyson; 10 bales Mocha; 15 mats Java.

Fill out the telegram blank and place in Vouchers for Others. Pay 50¢ in currency for the telegram. Make the proper entry.

No. 37.—MAY 20. This order calls for goods to be sent to an out of town business house. They refer to your own bank, and the reference being satisfactory, you make out the bill, also the shipping receipts, which you will have signed by the freight agent. Enclose bill and shipping receipt in an envelope properly addressed.

No. 38.—MAY 20. This work has been performed at a fixed price, and you may pay the bill by check.

Painting would come under the head of permanent repairs to your real estate, and you may make the proper cash book entry (rule 20, page 78).

No. 39.—MAY 20. Mr. Adams has requested Dickson & Young to give him their note at 60 days for $400, as his account at the bank is getting low. They have done so, and at the same time have ordered more goods. Place the note in your Cash Drawer and make the proper entry. Fill the order, checking each item, and make the proper entry.

No. 40.—MAY 21. This is a telegraphic order and calls for a receipted bill, which you will enclose in a C. O. D. envelope and place in Vouchers for Others. Enter in the sales book, as follows.

	C. O. D. Jas. H. Vincent, Northboro					
	2 bxs. W. Pepper	20#	30	6		
	2 " Cloves	20#	20	4		10

Post to your ledger, opening a C. O. D. account in the section of your ledger reserved for accounts receivable. The following is the form of a C. O. D. account.

C. O. D.

190-										
May	21	J. H. Vincent	3	10						

All C. O. D sales should be posted to this account, writing the name of the person to whom goods are sent in the explanation space at the left. The posting should be made immediately after the sale is entered in the sales book.

Some business houses enter C. O. D. sales in a special book kept for that purpose, and do not carry them into the main books until the return has been received. When this return has been received they enter the cash in the cash book, crediting Merchandise.

No. 41.—MAY 21. Take from your Cash Drawer the note of Dickson & Young received May 20th, and write the amount of discount upon a discount memorandum. Take the note and memorandum to the bank, where you will receive credit for the net proceeds, if correct. Enter in your cash book (see transaction No. 18).

No. 42.—MAY 22. Make a bill of the goods called for in this order, checking items. File the order. Enter the sale in a sales book, place the check received on account in the Cash Drawer, and make the proper entry. Acknowledge the receipt of the check.

No. 43.—MAY 23. This invoice is for goods ordered from West, Stone & Co. by telegraph May 18th. Verify the bill and make the proper entry.

No. 44.—MAY 23. You have made this purchase of Chas. K. Fox, City, to supply immediate needs. Verify the bill and make the proper entry.

No. 45.—MAY 23. To accommodate Rice & Pond you have sold Geo. H. Thomas, for cash, a sample lot of 75 lbs. Maracaibo at 18½¢ and 25 lbs. Rio at 14½¢, the remainder of two broken bags.

Do not enter this in the sales book, as it is not for a regular customer, but carry it direct to the cash book, giving *Merchandise* credit in that book. Make a memorandum of the sale on a slip of paper, and place it in your Vouchers for Others.

In any wholesale house there will be more or less of these petty sales. They are not entered in the sales book, but carried direct to the cash book.

No. 46.—MAY 23. SIXTH REPORT. Render a report and take all papers to your teacher for approval. Do not balance your cash book, but see that the cash balance on your report agrees with the amount of cash in your Cash Drawer, plus your bank balance, and also that this amount is the same as the difference between the two sides of your cash book. Pencil foot the cash book up to this date.

No. 47.—MAY 24. The Express Company has returned the collection of May 21st. Place 25¢ express charges in Cash Paid Out, or hand this amount to the commercial exchange.

On the debit side of the cash book write *C. O. D.* In the explanation space, *J. H. Vincent*, and in the money column *$10*. On the credit side debit *Expense* for the express charges, 25¢.

No. 48.—MAY 24. Send a telegraphic message of not more than 15 words to L. Hennes & Co., New York, ordering 12 bags Maracaibo coffee, 12 hf. chts. Oolong tea and 5 cases Ceylon tea, to be sent by fast freight. Pay 35¢ for the telegram; also pay for having windows cleaned, $1.50. Hand this money to the commercial exchange, or place it in Cash Paid Out.

No. 49.—MAY 24. Fill this order and place the note in your Cash Drawer, making the proper entries for the transaction. Place the order in your Voucher File. Write a letter of acknowledgment for the note, place it, with the invoice, in an envelope properly addressed, and place in your Vouchers for Others.

No. 50.—MAY 25. Take a deposit slip and enter on it the amount of the check you received from F. C. Tenney, May 15th, and the amount of Rice & Pond's check of May 22d; also $110 currency. Make out a discount ticket for the note of $600 received from A. A. Knowles & Co. yesterday. Calculate the discount and find the net proceeds.

Take the deposit slip, the checks, and the note properly indorsed, the currency, the discount ticket, and your bank pass book to the teller, who will give you credit for

the deposit and for the net proceeds of the note. Do not fail to enter these amounts on the stub of your check book. Make the proper cash book entry. (See transaction 18, page 79.)

No. 51.—MAY 25. Write a check for $700 and mail it to E. Westen Tea & Spice Co., to apply on account.

No. 52.—MAY 26. This invoice is received from L. Hennes & Co., in reply to your telegram of May 24th. Verify and file the invoice.

No. 53.—MAY 26. This order is received by wire. Check off each item, fill the order and place the telegram in your Voucher File. Make the proper entry for the transaction.

No. 54.—MAY 26. Pay the invoice purchased of Chas. K. Fox, May 23d, by check, less 3%.

No. 55.—MAY 26. This order comes from a stranger, and as you know nothing of his standing you may fill the order and send as directed, C. O. D. Check the order and write him that if references prove satisfactory you will be pleased to open an account with him. Remember to post directly from the sales book to the C. O. D. account, and give 3% discount for cash on bill (see No. 40).

No. 56.—MAY 28. Make out bill and verify the calculations. Place the order on file and make the proper entry.

No. 57.—MAY 28. This purchase is made of Chas. K. Fox, City. Place the invoice in your Invoice File and make the proper entry.

No. 58.—MAY 28. C. O. D. on S. E. Kingsley sent May 26th has been returned, and you may pay the express charges, 50¢. Make the proper entry (see No. 47).

No. 59.—MAY 29. The goods called for in this invoice have been purchased of West, Stone & Co., New York, by Mr. Adams. Place the invoice on file and make the proper entry.

No. 60.—MAY 29. Send a check for $500 to Shields Bros., to apply on account.

No. 61.—MAY 30. The City Carting Company have paid your freight bills and delivered goods which you have purchased, and now present their bill for the month, which you will pay by check. Enter in the cash book (see rule 13, page 28).

No. 62.—MAY 31. Your own salary for the month is $75, for which you may write a check; and also write a check for $45, favor of R. E. Leavitt, clerk.

No. 63.—MAY 31. H. F. Adams has given the city missionary 20 lbs. Young Hyson tea, 10 lbs. Japan tea, 10 lbs. English Breakfast tea. Charge him with this amount at the cost price. Enter in the sales book.

No. 64.—MAY 31. You have received No. 64, a note for $700, at 10 days with interest from A. W. McKey, for which you will give him credit. See that the note is correctly written and place it in your Cash Drawer.

No. 65.—MAY 31. Deposit all cash in your bank. Have your bank book written up, and see that your balance agrees with the balance as shown on the stub of your check book.

No. 66.—MAY 31. SEVENTH REPORT. Prepare your report and hand in all vouchers to your teacher for approval. Be sure that no careless work is handed in. Balance your cash book and see that the cash balance as shown by the cash book agrees with the bank balance as shown on the stub of the check book.

Some bookkeepers keep a Cash account in the ledger and carry to the debit side the footing of the left-hand page or pages of the cash book and to the credit side the footing of the right-hand page or pages of the cash book. This is unnecessary, since the balance of the cash book itself will show the same result that this account would show when balanced in the ledger. Keep no Cash account in the ledger, but do not forget to carry the balance of the cash book into the trial balance, the same as if the account were kept in the ledger.

Post from all your books to the ledger and check your postings. Be sure that the total of the sales book is carried to the credit of Merchandise. Make out your monthly statement to each customer. Take a trial balance of differences only, and be sure that the balance of cash is entered on the debit side of the trial balance.

The following is your inventory of unsold merchandise:

26 hf. chts.	Oolong, 1300 lbs.,	48¢
18 "	Young Hyson, 1260 lbs.,	33¢
18 "	E. Breakfast, 1080 lbs.,	31¢
15 cases	Ceylon, 750 lbs.,	35¢
12 bales	Mocha, 1800 lbs.,	23¢
26 mats	Java, 1950 lbs.,	22¢
1575 lbs.	Maracaibo,	11¢
650 lbs.	Rio,	10¢
34 boxes	W. Pepper, 340 lbs.,	23¢
24 "	Cinnamon, 240 lbs.,	27¢
26 "	Cloves, 260 lbs.,	14¢
29 "	Ginger, 290 lbs.,	22¢
110 lbs.	Nutmegs,	60¢
25 hf. chts.	Japan, 1500 lbs.,	23¢

Office furniture and fixtures are valued at 10% less than cost.

Office books, stationery and unexpired insurance are valued at $98.75.

Your real estate is valued at cost, as shown by the debit side of your ledger account.

Calculate the amount of your inventory, and write the items and amounts in your trial balance book. After you have taken the trial balance, prepare statements of gains and losses and resources and liabilities, according to instructions below.

In making your statement of losses and gains, include Merchandise Discount and Furniture and Fixtures; in making statement of resources and liabilities, always include all inventories of merchandise, furniture and expense items among the resources.

FORMS OF LOSS AND GAIN STATEMENT AND BALANCE SHEET.

In the previous work the student has prepared simply a statement of losses and gains and of resources and liabilities. This work was designed to familiarize the student with only the fundamental principles of bookkeeping. Now that the student has taken up the study of practical bookkeeping, we have introduced, instead of the elementary statements, the simplest forms of the accountant's regular loss and gain statement and balance sheet. The forms which we present are those which are universally used by experienced accountants and auditors.

The following illustrations differ in many respects from the forms which have heretofore been presented in text-books on bookkeeping, and we believe that all progressive teachers will welcome this change from the theoretical to the practical.

Statement of Losses &

1 Mdse. on hand at close of last month		
2 Mdse. cost of during the month	7200	7200
5 Gain carried down.		1440
		8640
6 Expense. cost for the month	265 50	
7 Less inventory of unexpired insurance and stationery	75	190 50
8 Discount		42 50
9 Depreciation as under:		
10 Furniture & Fixtures		27 50
13 Net Gain.		1245 37
		1505 87

*To be written in red ink.

Analysis of Statement of Losses and Gains.—The loss and gain statement is closed in two sections. The first section represents the gain on merchandise, without taking into account the expenses of the business; the second section contains the expenses of the business, the gain on merchandise discount, and shows the net gain of the business proper. If there are transactions in stocks and bonds, or anything outside of the business, the gain or loss on such transactions should be included in a third section of the loss and gain statement.

On the debit side of the first section of the loss and gain statement, we have (1) merchandise on hand at the close of last month; (2) cost of mdse. during the month. These two items are entered in the first column, added, and their sums extended into the second column. In the above instance there was no merchandise on hand at the close of last month, hence there is no amount after this item.

On the credit side of the loss and gain statement in the first section, we have (3) amount of merchandise sold during the month; (4) merchandise now on hand, as per inventory.

The amounts of these two items are entered in the first column, and their sum extended into the second column. It is evident that the difference between the amount of mer-

Gains. May 31, 190-

3	Mdse. sales during the month		6400	
4	" on hand now		2240	8640
				8640
11	Gain brought down			1440
12	Mdse. Discount			6587
				150587

chandise on hand at the beginning of the month plus the amount purchased during the month, and the amount of merchandise sold during the month plus that on hand at the end of the month, will be the net gain on merchandise. This net gain in the above statement is found to be $1440, and the amount is written after No. 5, *Gain carried down.*

In the second section of the statement of losses and gains, we have on the debit side, (6) the cost of expense; (7) the amount of unexpired insurance and stationery, which, paid for under expense, has not yet been used; (8) the loss on discount; (10) the loss on furniture and fixtures on account of depreciation in value.

In the second section of the loss and gain statement, on the credit side, we have (11) the net gain on merchandise, which is written after *Gain brought down* (that is, this gain is brought down from the first section); and (12) the gain on merchandise discount. The difference between the sum of the debit and the sum of the credit amounts will show the net gain on the business. This gain is written in red ink after No. 13 on the debit side.

When the proprietor examines the above statement, he can tell at a glance the amount of merchandise purchased during the month, the amount of sales, the amount on hand, his gain on merchandise, and his net gain on the business proper; and if he has purchased and sold stocks and bonds, bank stock, real estate, or anything of this character, such transactions should be shown in a third section of the loss and gain statement, and the

statement should show the gain on merchandise, the net gain on the business proper, and the net gain or loss on his entire transactions.

A business might be paying, and the proprietor still be losing money on account of losses sustained by outside transactions. The profit on merchandise might be sufficient, and still the business be conducted at a loss, on account of having enormous expenses. For this, and various other reasons, it is absolutely essential that the loss and gain statement should be closed in sections, so that the proprietor may determine at a glance the exact condition of his business.

INSTRUCTIONS TO THE STUDENT.

How to Make out Loss and Gain Statement for the Month Ending May 31.

The numbers given in the following instructions agree with the numbers given in model statement of losses and gains, pages 92 and 93.

1. Turn to the Merchandise account in your ledger. As this is the beginning of the business, there was no merchandise on hand at the beginning of the month, hence nothing will be written after *Merchandise on hand at the close of last month*, but you may write these words in your statement of losses and gains (see model, page 92).

2. The sum of the items on the debit side of your Merchandise account in your ledger represents the cost of merchandise during the month. Place the amount after *Merchandise, cost of, during the month* (see model and fourth paragraph, page 92).

3. The sum of the items on the credit side of your Merchandise account represents the amount of merchandise you have sold during the month. Place the amount after *Merchandise sales during the month* (see model and second paragraph, page 92).

4. Take the amount of your inventory and write it after *Merchandise on hand now.*

5. Take the difference between the sum of the items on the debit side and the sum of the items on the credit side of your loss and gain statement, and write the difference, in red ink, after *Gain carried down* on the debit side of your loss and gain statement in the second column, after which rule up the first section of your loss and gain statement, as per model.

6. Take the amount of cost of expense, as shown by your trial balance, and write it after *Expense.*

7. Take the amount of expense, as shown by inventory, and subtract it from cost of expense. Extend the difference into the second column (see model, page 92).

8. Take the amount of the loss on discount, as shown by your trial balance, and write it after *Discount.*

9. Depreciation as under:

10. A depreciation of 10% has been allowed for wear and tear on office furniture. Write the amount of this depreciation, which is a loss to the business, after *Furniture and Fixtures*, under *Depreciation* (see model).

11. Bring down the amount of the gain shown in the first section of loss and gain statement, and write it under *Gain brought down* in the second section of loss and gain statement.

12. Take the gain on merchandise discount, as shown by your trial balance, and write the amount after *Merchandise Discount.*

13. Take the difference between the sum of the items on the debit side and the sum of the items on the credit side of your loss and gain statement, and write the amount, in red ink, after *Net Gain*. Rule up the second section of your loss and gain statement, as per model.

Analysis of Statement of Resources and Liabilities.—In preparing a statement of resources and liabilities, commence with the most available asset, *Cash*. Write the amounts of cash in safe and in bank separately in the first column. Find the sum of these amounts, and write the sum in the second column. (See model, pages 96 and 97.)

Various kinds of property owned by the business should next be listed under the title, *Properties as under:* Real estate is listed at its ledger valuation, on the presumption that it is worth at the present time the amount paid for it. Naturally there has been wear and tear, or depreciation, upon office furniture and fixtures. The cost of office furniture and fixtures should be shown in the first column, and under this should be written the amount charged off for depreciation. The difference, or present value of the furniture and fixtures, should be extended into the second column. Goods on hand should be inventoried at their cost price, and the amount written in the second column. If there is anything on hand which was charged to Expense when bought, it should be considered an inventory and listed in the second column.

The next title, *Sundry trade debtors as under:* should include all amounts owing the business by firms and individuals. The amount of notes we hold should be written after *Bills Receivable*, and the amount due us on account should be written after *Open book accounts considered good*. Usually an amount is deducted from *Open book accounts* as a reserve for bad debts. *Open book accounts* are also frequently divided into two classes—*Open book accounts considered good* and *Open book accounts considered doubtful*. If there are any other assets, they should be enumerated in detail on the debit side of the statement of resources and liabilities. In connection with this statement, it is usually customary to make out a list of all persons owing us and all persons whom we owe.

We next proceed to the enumeration of the liabilities. These are written on the credit or right side of the statement. The first title, *Sundry trade creditors as under:*, should include all persons or firms whom we owe, either by note or on account. The amount that we owe on our notes should be written after *Bills Payable*. The amount that we owe on account should be written after *Open book accounts*. If the business has other liabilities, they should be here enumerated. Find the sum of the liabilities, and write the sum in the right-hand column, drawing one red line, as shown in the model.

Next write the amount the proprietor has invested in the business, and from this amount subtract his withdrawal. To the remainder add the net gain from the statement of losses and gains, and extend the total to the last column, in red ink, under the title, *Present worth of business*. Foot and rule up the statement of resources and liabilities, as per model. A balance sheet or statement of resources and liabilities, made out as above, will show in classified form the actual assets and liabilities of the business. The proprietor of the business, in examining such a balance sheet, can tell at a glance the amount of property he has on hand, and the basis of its valuation, the balance sheet showing any amount that has been charged off for depreciation, or anything that has been added on account of the increase in value. All additions and subtractions should be made in the first column, and only the totals, or the differences, extended to the second column.

Statement of Resources &

1	Cash in safe	1140	
2	" in bank	60	1200
	Properties as under:		
3	Real Estate, Ledger valuation		2000
4	Furniture & Fixtures	275	
5	Less depreciation	27.50	247.50
6	Mdse. on hand, valued by Mr. White		2240
7	Expense, inventory		75
	Sundry trade debtors as under:		
8	Bills Rec.		1500
9	Open book accts. considered good		6169.67
			13432.17

INSTRUCTIONS TO THE STUDENT.

How to Make out Statement of Resources and Liabilities for Month Ending May 31.

1. Ascertain the amount of cash in the safe or drawer, and write it after *Cash in safe*.

2. Ascertain from your check book the amount of cash in bank, and write it after *Cash in bank*. The amounts of cash in bank and in safe should be added, and written in the second money column of the statement (see above model). The amount of cash shown by the statement should be the same as that shown on the trial balance.

3. Take the amount of real estate ($12125), as shown by your trial balance, and write it after *Real estate, ledger valuation* in the second column of your statement (see model form).

4. Take the amounts charged to Furniture and Fixtures, as shown by your trial balance ($231), and write it after *Furniture and Fixtures* in the first money column of your statement.

5. A depreciation of 10% is allowed on furniture and fixtures. Write the amount of depreciation ($23.10) after *Less depreciation*, and subtract this amount from the amount of furniture and fixtures, and extend the difference to the second column of your statement.

Liabilities, May 31, 190-

	Sundry trade creditors as under:						
10	Bills Pay.					2890	
11	Open book accts.					44968	0
						73868	0
12	H. F. Adams, invested			4900			
13	" " " withdrew			100			
				4800			
14	Net Gain			124537			
15	Present worth of business *					604537	
						1343217	

* To be written in red ink.

6. Write the amount of the inventory of merchandise after the proper title in the second column of your statement. You should write your own name in place of Mr. White's, as the value of the merchandise is estimated by you.

7. Write the inventory of expense ($98.75) after the proper title.

8. Take the amount of bills receivable, as shown by your trial balance, and write it after this number.

9. Find the sum of the amounts owing the business by different persons, as shown by your trial balance, and write it after this number. The persons who owe H. F. Adams are: A. A. Knowles & Co., Dickson & Young, A. W. McKey, F. C. Tenney, F. H. Randall & Co., Rice & Pond, E. Mason & Co.

The sum of the amounts owing the business by the above will be the amount of *Open book accounts considered good.*

10. Write the amount of bills payable, shown by your trial balance, after this number.

11. Find the sum of the amounts that H. F. Adams owes different persons, as shown by your trial balance, and write this sum after *Open book accounts*. Find the sum of your *Open book accounts* and *Bills Payable*, and write the sum under the single ruled line, as shown in above model.

12. Write the amount of H. F. Adams' investment after this number, according to

model. The amount of his investment will be the total of the amounts on the credit side of H. F. Adams' account in the ledger.

13. Write the amount of H. F. Adams' withdrawals after this number. The total of the amounts on the debit side of his account in the ledger will be the sum of the withdrawals. Subtract the withdrawals from the amount invested, and write the difference below the single ruled line (see model).

14. Write the amount of the net gain, as shown by your loss and gain statement, after this number.

15. Add the net gain to the net investment (the difference between H. F. Adams' investment and withdrawals), and write the amount after this number in the last money column. Foot and rule your statement of resources and liabilities, as indicated in model.

Hand your statement of losses and gains and your statement of resources and liabilities to your teacher for approval. If correct, close your ledger, and hand in all your books to your teacher for examination.

EXERCISES IN BANK DISCOUNT AND INTEREST.

Take a sheet of journal paper and arrange a cash book for the following transactions. Write the notes on a sheet of foolscap.

In discounting notes, always find first the due date of the note, then find the actual number of days from the date of discount to the due date, and calculate the discount for this time.

MAY 1.—You have on hand D. H. Farley's note for $1200, dated this day, at four months. Have it discounted at the City Bank at 6%. Write the note and make the proper cash book entries.

MAY 2.—Desiring to borrow money, you arranged with E. M. Parker to indorse a note of $4500 for you, payable at the City Bank in 90 days, and the City Bank has discounted this note and placed the net proceeds to your credit. Write the note and make the cash book entries (see No. 14, page 75).

MAY 3.—You have on hand T. M. Hunt's note for $875.50, dated April 20th, at four months. Have this note discounted at the City Bank at 6%. Write the note and make the cash book entries.

MAY 4.—You have outstanding a note in favor of Reed & Barton, dated April 25th, at three months, for $950, and you pay it to-day less the discount for the unexpired time. Write the note and make the proper cash book entries. (Credit *Discount.*)

MAY 5.—You have on hand J. B. Freeman's note for $728.50, dated April 5th, at four months. He pays it to-day in cash, less discount for the unexpired time. Write the note and make the proper cash book entries.

MAY 7.—You have on hand C. B. Fenner's note for $1100, dated April 25th, at 90 days. Have it discounted to-day at 5%. Write the note and make the proper cash book entries.

MAY 7:—You have a note outstanding in favor of Charles Langdon for $1200, dated April 20th, at four months. If you will pay it now, Langdon offers to allow you 9% for the unexpired time. Accept the proposition and make the proper cash book entries.

MAY 8.—D. W. Evans & Co. owe you a note of $7000, dated April 30th, at four months. Needing the money, you offer them 8% discount if they will pay the note to-day, which they do. Make the proper cash book entries.

MAY 9.—You have on hand Sam. F. Curtis' note for $1200, dated April 20th, at 60 days, with interest at 6%. You have it discounted at the City Bank to-day. Write the note and make the cash book entries.

The above is an interest-bearing note, and in discounting an interest-bearing note, the bank will first find the amount due at maturity. S. F. Curtis' note of April 20th, at 60 days, will be due June 19th, and the interest on $1200 from April 20th to June 19th, 60 days, equals $12, which, added to $1200, makes $1212, the amount due June 19th. This amount should be written on the face of the note, in red ink, by the bank teller. You have the note discounted May 9th. The bank teller will find the time from May 9th, the date of discount, to June 19th, the date of maturity (41 days), and will compute the discount on $1212, the amount due at maturity, and deduct this discount from $1212, leaving $1203.72, the net proceeds of the interest-bearing note.

In this transaction, you have received $1200 for the face of the note. Debit *Cash*, $1200; in the first explanation space write *Bills Receivable*, and in the second explanation space, *S. F. Curtis note 4/20*. The bank allowed you $12 interest. Debit *Cash*, $12; in the first explanation space write *Interest*; and in the second explanation space, *on above note*. The bank charged you discount, $8.28. On the credit side of the cash book write *$8.28*, in the first explanation space, *Discount*, and in the second explanation space, *S. F. Curtis note 4/20*.

MAY 10.—You have outstanding a note for $1500 in favor of Barnes Bros., dated April 17th, at ninety days, with interest at 5%. Barnes Bros. need the money, and agree to allow you 6% discount if you will pay the note to-day, which you do. Write the note and make the proper cash book entries. (Credit *Cash* for interest; debit *Cash* for discount.

In this problem calculate the interest at 5% and the discount at 6%.

MAY 12.—You have on hand the note of The Allen Chemical Company for $2650, dated April 12th, at four months, with interest at 6%. You have it discounted to-day at the City Bank at 5%. Write the note and make the cash book entries.

O. M. Curtis gave you a note March 13th, at 60 days, for $890.75, with interest. The note is due to-day, and Curtis has paid you the amount due to redeem his note. Write the note and make the proper cash book entries.

In the above problem the interest should be found for the time of the note at 6%. In the cash book *Cash* should be debited for the face of the note, in the first explanation space *Bills Receivable* should be written, and in the second explanation space, *O. M. Curtis note 3/13*. *Cash* should also be debited for the amount of interest on the note ($8.91); in the first explanation space write *Interest*, and in the second explanation space, *on above note*.

MAY 14.—Your note for $746, in favor of G. W. Longley, dated Feb. 14th, at three months, with interest, is due this day, and you pay the note and interest. Write the note and make the necessary cash book entries.

This problem is exactly the reverse of the preceding one. *Cash* is credited and *Bills Payable* debited, with *G. W. Longley note 2/14* as explanation, and *Cash* credited and *Interest* debited, with *on above note* as explanation on the credit side of the cash book.

A. S. Hewitt's note of March 14th, at two months, for $722.87, with interest, is due to-day, and he has paid the note. Write the note and make the proper cash book entries.

MAY 15.—Your note for $1262.25, in favor of L. E. Pearson & Co., dated March 31st, at 45 days, with interest at 5%, is due to-day, and you pay the note and interest. Write the note and make the proper cash book entries.

You have your note for $825, favor E. C. Ayer, and indorsed by him, dated this day, at three months, discounted at the Commercial Bank at 6%, and receive cash for the net proceeds. Write the note and make the cash book entries.

PRICE LIST FOR MAY AND JUNE.

			1	2	3	4	5	6	7	8	9	10	11	12	13
Japan	Hf. Ch.	lbs. 60	40	38	37	36	25	26	41	35	34	39	24	25	30
Oolong	"	50	55	60	61	62	73	66	72	70	71	56	63	62	57
Ceylon	Case	50	60	58	55	65	45	50	53	55	45	40	57	56	59
Y. Hyson	Hf. Ch.	70	35	37	38	39	50	49	34	40	41	36	51	50	45
Eng. Breakfast	"	60	50	45	44	43	32	39	33	35	34	49	42	43	48
Mocha	Bale	150	25	25^{2}	24	24^{2}	26^{2}	25^{2}	24^{2}	27	28^{2}	29	30	32	28
Java	Mat	75	28^{2}	25	25^{2}	26^{2}	29	30	30^{2}	29^{2}	27^{2}	26	27	24^{2}	24
Maracaibo	Bag	125	18^{2}	18	19^{2}	19	17	18	19	16^{2}	15	14^{2}	13^{2}	11^{2}	15^{2}
Rio	"	125	14^{2}	18	17^{2}	16^{2}	14	13	12^{2}	13^{2}	15^{2}	17	16	18^{2}	19
W. Pepper	Box Pail	10 25	30	31^{2}	29	28	31	33^{2}	30	33	32	30^{2}	26^{2}	28	29
Cinnamon	Box Pail	10 25	35	36	33	34	37	38	33	32	35	39	37	34	34^{2}
Cloves	Box Pail	10 25	20	18^{2}	21	22	19	16^{2}	20	17	18	19^{2}	23^{2}	22	21
Nutmegs			70	69	72	71	68	67	72	73	70	66	68	71	70^{2}
Ginger	Box Pail	10 25	30	32	35	25	45	40	37	35	45	50	33	34	31

PRICE LIST FOR MAY AND JUNE (Continued).

			14	15	16	17	18	19	20	21	22	23	24	25
Japan	Hf. Ch.	lbs. 60	32	38	40	34	29	31	33	27	28	26	30	29
Oolong	"	50	55	49	52	58	64	67	65	72	57	69	66	58
Ceylon	Case	50	61	52	47	43	39	38	41	44	37	36	42	46
Y. Hyson	Hf. Ch.	70	43	37	35	41	46	44	42	48	47	49	45	46
Eng. Breakfast	"	60	50	56	53	47	41	38	40	33	48	36	39	47
Mocha	Bale	150	28^{2}	27^{2}	30^{2}	25	31	28	26	27	29^{2}	24	28	26^{2}
Java	Mat	75	26^{2}	28^{2}	25^{2}	28^{2}	31^{2}	27^{2}	29	24	26^{2}	23	24^{2}	29^{2}
Maracaibo	Bag	125	15	16	13	18^{2}	12^{2}	15^{2}	17^{2}	16^{2}	14	19^{2}	15^{2}	17
Rio	"	125	16^{2}	14^{2}	17^{2}	14^{2}	11^{2}	15^{2}	14	19	16^{2}	20	18^{2}	13^{2}
W. Pepper	Box Pail	10 25	27	25	32	31	28	33	28^{2}	27^{2}	28	29	31	27
Cinnamon	Box Pail	10 25	40	38	32	36	41	37	39	42	40	35^{2}	33	34
Cloves	Box Pail	10 25	23	25	18	19	22	17	21^{2}	22^{2}	22	21	19	23
Nutmegs			65	67	73	69	64	68	66	63	65	69^{2}	72	71
Ginger	Box Pail	10 25	29	38	43	47	51	52	49	46	53	54	48	44

PRICE LIST FOR MAY AND JUNE (Continued).

			1	2	3	4	5	6	7	8	9	10	11	12	13
		lbs.													
Flour, Northern Star	Brl.		4.08	4.10	4.12	4.14	4.16	4.18	4.20	4.22	4.24	4.26	4.28	4.30	4.32
" Searchlight Pastry	"		4.60	4.58	4.56	4.54	4.52	4.50	4.48	4.46	4.44	4.42	4.40	4.38	4.36
" Graham	Case		2.85	2.90	2.95	3.00	2.86	2.91	2.96	3.01	2.87	2.92	2.97	3.02	2.88
H. O. Buckwheat	"		3.25	3.20	3.15	3.10	3.24	3.19	3.14	3.09	3.23	3.18	3.13	3.08	3.22
Oatmeal, Pawnee	Brl.		4.35	4.30	4.25	4.20	4.34	4.29	4.24	4.19	4.33	4.28	4.23	4.18	4.32
Quaker R. O.	Case		3.49	3.54	3.59	3.64	3.50	3.55	3.60	3.65	3.51	3.56	3.61	3.66	3.52
Sugar, Granulated	Brl.	300	5⅛	5¼	6½	6⅛	5⅞	5⅜	6⅜	5½	6¼	5⅜	6⅜	6½	5¾
Rice	"	150	6⅞	6¾	5½	5⅞	6⅛	6⅜	5⅜	6½	5¾	6⅜	5⅜	5½	6¼
Corn	Doz.		.85	1.10	.86	1.09	.87	1.08	.88	1.07	.89	1.06	.90	.98	.91
Tomatoes	"		1.20	.95	1.19	.96	1.18	.97	1.17	.98	1.16	.99	1.15	1.07	1.14
Beans, Lima	"		.81	1.07	.82	1.06	.83	1.05	.84	1.04	.85	1.03	.86	1.02	.87
Soap, Ivory	Box		7.27	7.01	7.26	7.02	7.25	7.03	7.24	7.04	7.23	7.05	7.22	7.06	7.21

PRICE LIST FOR MAY AND JUNE (Continued).

			14	15	16	17	18	19	20	21	22	23	24	25
		lbs.												
Flour, Northern Star	Brl.		4.34	4.36	4.38	4.40	4.42	4.44	4.46	4.48	4.50	4.52	4.54	4.56
" Searchlight Pastry	"		4.34	4.32	4.30	4.28	4.26	4.24	4.22	4.20	4 18	4.16	4.14	4.12
" Graham	Case		2.93	2.98	3.03	3.08	2.89	2.94	2.99	3.04	2.80	2.84	2.82	2.83
H. O. Buckwheat	"		3.17	3.12	3.07	3.02	3.21	3.16	3.11	3.06	3.30	3.26	3.28	3.27
Oatmeal, Pawnee	Brl.		4.27	4.22	4.17	4.12	4.31	4.26	4.21	4.16	4.40	4.36	4.38	4.37
Quaker R. O.	Case		3.57	3.62	3.67	3.72	3.53	3.58	3.63	3.68	3.44	3.48	3.46	3.47
Sugar, Granulated	Brl.	300	5⅞	5⅛	6¾	5¾	6⅛	5¼	6¼	5⅜	5⅜	5⅞	5½	6⅛
Rice	"	150	6⅛	6⅞	5¼	6¼	5⅞	6¾	5¾	6⅜	6⅜	6⅛	6½	5⅜
Corn	Doz.		1.04	.92	1.03	.93	1.02	.94	1.01	.95	1.00	.96	.99	.97
Tomatoes	"		1.01	1.13	1.02	1.12	1.03	1.11	1.04	1.10	1.05	1.09	1.06	1.08
Beans, Lima	"		1.01	.89	.99	.90	.98	.91	.97	.92	.96	.93	.95	.94
Soap, Ivory	Box		7.07	7.19	7.09	7.18	7.10	7.17	7.11	7.16	7.12	7.15	7.13	7.14

QUESTIONS.

1. Explain the use of the cash book?
2. Where should cash received be placed?
3. Where should cash paid out be placed?
4. What should the difference between the sides of the cash book show?
5. Why should the cash book be balanced frequently?
6. When should it be balanced daily?
7. What ledger account does the cash book enable us to dispense with?
8. How should you show the balance of cash in the trial balance?
9. Explain the use of the sales book.
10. To what account in the ledger, and to which side of the account, should the footing of the sales book be carried?
11. In which money column of the sales book must all discounts and allowances appear?
12. What should be the first entry in the journal-daybook of any business?
13. Why are persons debited from the sales book for merchandise sold them for cash, and then credited from the cash book?
14. What is meant by indorsing a note?
15. What is bank discount?
16. For what length of time is bank discount always calculated?
17. How would you proceed to find the time of discount?
18. What entry should be made on the debit side of the cash book when a bill receivable is discounted?
19. What entry should be made when a bill payable is discounted?
20. What entry should be made on the credit side of the cash book in either case?
21. Define merchandise discount.
22. When is merchandise discount debited? When credited?
23. To which side of the ledger should amounts on the left-hand side of the cash book be carried? To which side the amounts on the right-hand side?
24. How should the cash book posting be designated in the ledger?
25. Why should the terms of sale be shown in posting the sales book items to the ledger?
26. Where should the footing of the sales book appear in the ledger?
27. What is a shipping receipt? Why are these receipts made in triplicate, and what is done with each copy?
28. What care should be taken in writing a telegram?
29. How should figures be indicated in a telegram?
30. What is meant by repeating a message? What is a code?
31. Describe the method of entering C. O. D. sales in the sales book and in the ledger.
32. How should petty cash sales be entered?
33. In how many sections is the loss and gain statement closed?
34. What does the first section of the loss and gain statement show?
35. What does the second section of the loss and gain statement show?
36. If there are outside speculations, what further closing would be necessary?
37. In making a statement of resources and liabilities, where would you find the cash on hand?

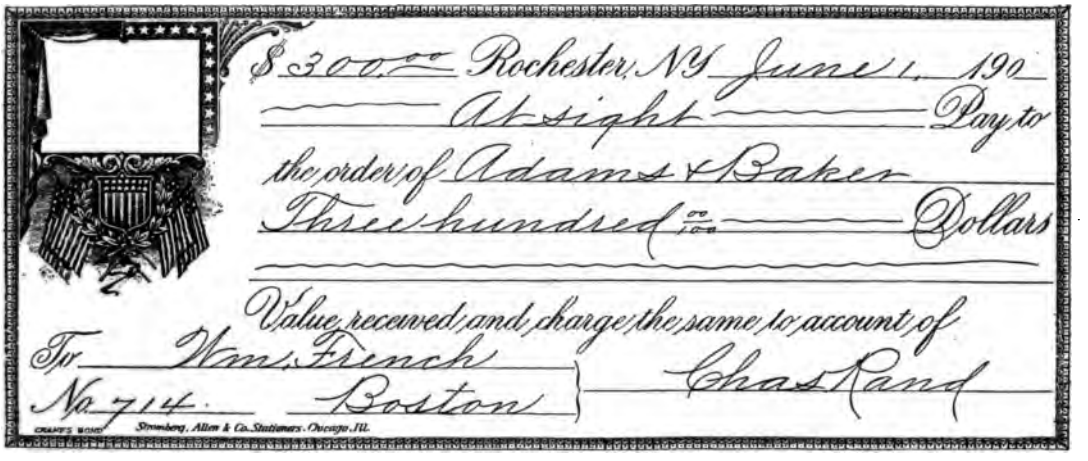
SPECIAL INSTRUCTIONS

The transactions for the month of June call for the handling of drafts, and the business of the month is a continuation of that of the month of May, with the addition of groceries to the tea, coffee and spices dealt in during that period. It is thought advisable to give space for a short discussion of the subject of drafts before the student is called upon to handle that form of commercial paper in his vouchers.

DRAFTS.

A draft is an order from one person or firm to another to pay a certain sum of money, unconditionally, to some person or firm named in the body of the draft, or to the order of that person or firm.

FORM OF SIGHT DRAFT.


$300.00 Rochester, NY June 1, 190
At sight Pay to
the order of Adams & Baker
Three hundred 00/100 Dollars
Value received, and charge the same to account of
For Wm. French
No. 714. Boston
Chas. Rand
Stromberg, Allen & Co. Stationers. Chicago, Ill.

In the above draft Chas. Rand orders Wm. French to pay to the order of Adams & Baker $300. It is presumed that Wm. French owes Chas. Rand this amount, and that Chas. Rand is indebted to Adams & Baker, and gives them this order on Wm. French in payment of his indebtedness.

PARTIES TO A DRAFT.

Drawer.—This name is given to the person who writes or draws the draft. In the form of draft given above the drawer is Chas. Rand.

Payee.—This name is given to the person or firm to whom the draft is made payable. In the form of draft given the payees are Adams & Baker.

Drawee.—This name is given to the person or firm on whom the draft is drawn. In the preceding form Wm. French is the drawee.

COURSE OF PROCEDURE WHEN A DRAFT IS DRAWN.

Chas. Rand owes Adams & Baker and wishes to pay them $300 on account. Wm. French owes Chas. Rand and is willing to pay to him, or to his order, $300, therefore the

following transaction is carried out: Chas. Rand writes an order, or draws a draft, on Wm. French, requesting him to pay to the order of Adams & Baker $300.

The drawer should, in every case, notify the drawee that he has drawn on him; or, better still, notify him in advance that he will draw on him at a certain date, for no person, even though he be a debtor, is obliged to accept or pay a draft drawn on him by a creditor.

Having drawn the draft, Rand gives it to Adams & Baker and makes his journal entry, since the transaction is completed so far as he is concerned. Rand has given Adams & Baker the order, which will be worth $300 to them when presented to Wm. French for payment; therefore, *Adams & Baker* should be debited $300, the amount they will be paid. This amount, $300, will be paid by French, therefore *French* should be credited the same as if he had paid the amount to Rand instead of to the person Rand designated in the draft.

The following is the form of journal entry required in the drawer's books for the above draft.

	Adams & Baker Wm. French	Drew a sight dft on Wm. French, favor of Adams & Baker	300	300

Rule 1.—*The drawer's entry when a draft with three parties is drawn, whether it be at sight or a time draft, is Payee, Dr. and Drawee, Cr.*

Payee's Entry.—The payees, Adams & Baker, receive the draft from Chas. Rand, and they at once take it to Wm. French, or place it in their bank for collection, in which case the bank will take it to French, who pays the $300. In either case Adams & Baker have received cash, $300, and should debit *Cash*. The draft which produced them the $300 was received from Chas. Rand, therefore *Chas. Rand* should be credited the same as if he had given them the $300.

The following should be the payees' entry on the debit side of their book.

June 1	Chas. Rand	sight dft on Wm. French	300	

Rule 2.—*The payee's entry for a sight draft received should be Cash, Dr. and Drawer, Cr.*

Drawee's Entry.—When the draft is presented to Wm. French he examines it and notes that Chas. Rand has requested him to pay $300 to the order of Adams & Baker, and if he honors the draft he pays the amount, $300, and since he pays this amount on Chas. Rand's order, he debits *Rand* the same as if he had paid the cash direct to him and credits *Cash*, since he has paid it out.

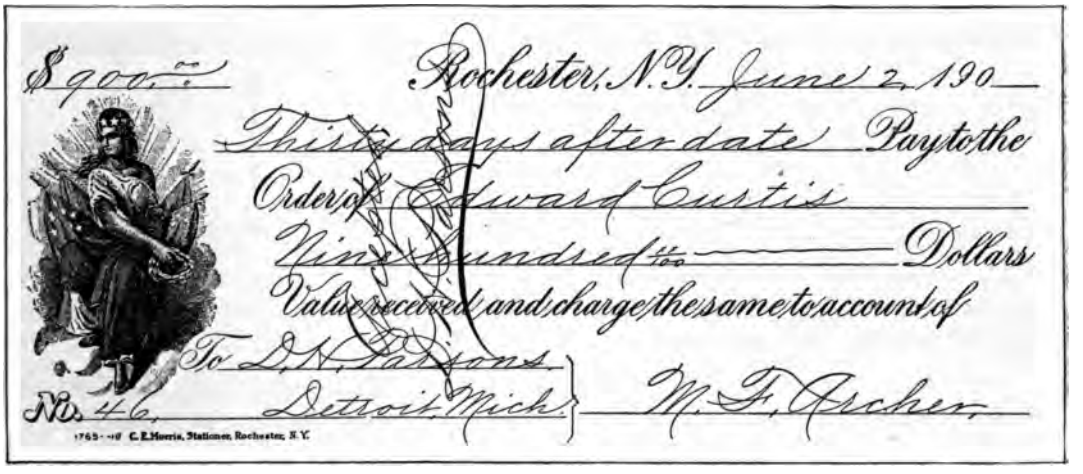
The following is the drawee's entry for the above draft on the credit side of his cash book.

June	2	Chas. Rand	paid dft at sight. Ledg.		400		

Rule 3.—*Drawee's entry for a sight draft paid is Drawer, Dr. and Cash, Cr.*

EXAMPLE.—Edward Martin draws a sight draft on B. W. Hammond, requesting him to pay to the order of Chas. Carter $400, which he does. Write the draft and make the entry of each party to the transaction. Write the draft and the entries on a piece of foolscap paper, and show it to your teacher.

FORM OF TIME DRAFT.


$900.00
Rochester, N.Y. June 2, 190
Thirty days after date Pay to the
Order of Edward Curtis
Nine Hundred 00/100 Dollars
Value received and charge the same to account of
To D. H. Parsons
Detroit, Mich.
No. 46,
M. F. Archer

In the above draft instead of being payable at sight, it is not payable until 30 days after its date, or July 2. This draft, as soon as received by the payee, Edward Curtis, should be taken to the drawee, D. H. Parsons, who, if he decides to pay it, will write *Accepted* across the face, with his name. This is generally done in red ink, though the color of the ink is unimportant. In the case of this draft, the drawer's entry will be the same as in the case of the sight draft, for the payee has received value, and should therefore be debited, while the drawee is to pay the draft when it falls due, and should therefore be credited. The payee, however, instead of receiving cash from the drawee, Parsons, has received a promise to pay in 30 days, for writing the word "Accepted," and signing the name across the face of a draft constitutes at law a promise to pay. A promise to pay is a bill receivable to the holder, therefore his entry should be as follows.

		Bills Rec.	Recd. M. F. Archer's	900			
		M. F. Archer	draft at 30 days on			900	
			D. H. Parsons				

Rule 4.—*The payee's entry for a time draft accepted is Bills Receivable, Dr. and Drawer, Cr.*

When this draft is presented to D. H. Parsons, and he writes *Accepted, D. H. Parsons*, across its face, he agrees to pay it in 30 days, and the draft at once becomes a bill payable to him. He should debit *M. F. Archer*, since it is for him he has assumed this obligation, and should credit *Bills Payable*, since he has agreed to pay $900 in 30 days, or on July 2. The following should be Parson's entry when he accepts the draft.

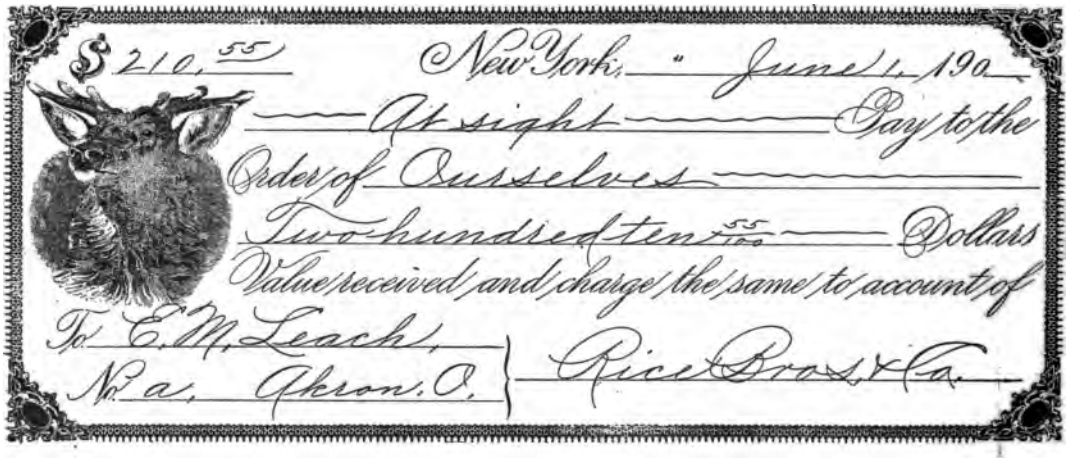
	M. F. Archer	Accepted M. F. Archer's dft at 30 days from June 2 favor of Edward Curtis	900		
	Bills Pay.				900

Rule 5.—*The drawee's entry for a time draft is Drawer, Dr. and Bills Payable, Cr.*

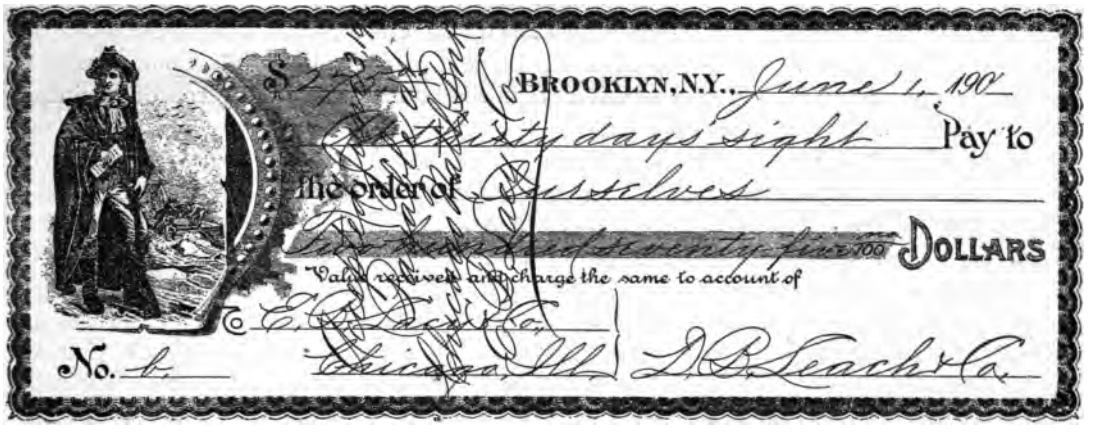
EXAMPLE.—Geo. W. Allen draws a draft on Chas. W. Clinton for $500, at 45 days' sight, in favor of P. Y. Black. Write the draft as accepted by Chas. W. Clinton, and make the journal entry of each party to the transaction.

The draft is used extensively in business for the purpose of collecting accounts that are past due, and instead of the promissory note in ordinary sales of merchandise. In these cases, the draft is made payable to the order of the drawer, and is generally collected through his bank. The following are forms of sight and time drafts drawn in this manner.

FORM OF SIGHT DRAFT.


$210.55
New York, June 1, 190
At sight Pay to the
Order of Ourselves
Two hundred ten 55/100 Dollars
Value received and charge the same to account of
To E. M. Leach,
No. a, Akron, O.
Rice Bros. & Co.

FORM OF TIME DRAFT.



Rule 6.—*The drawer's entry is the same as the payee's, since he is payee as well as drawer; that is, in the sight draft he will debit Cash and credit E. M. Leach, while in the time draft he will debit Bills Receivable and credit E. B. Lacy & Co.*

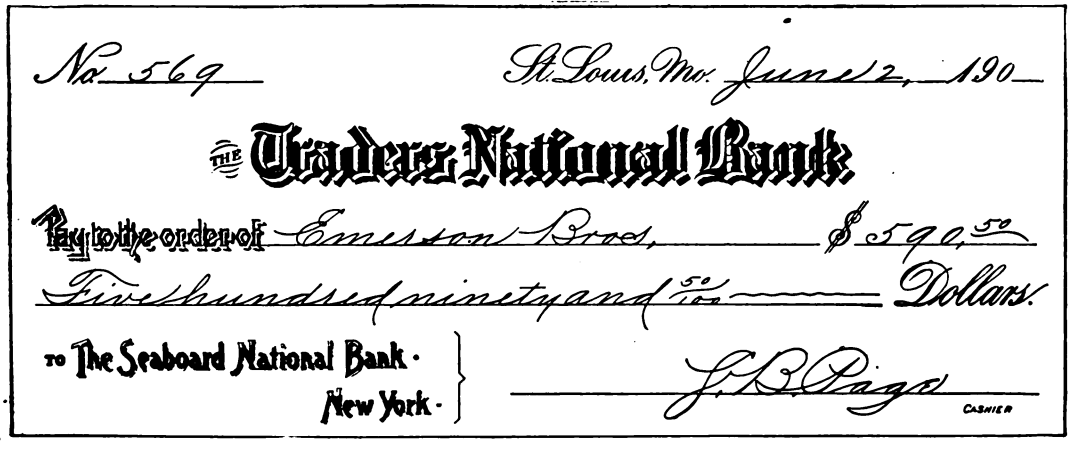
EXAMPLES.—J. B. Flint, of Rochester, N. Y., draws a draft at sight, in favor of himself, on A. H. Hines, of Portland, Me., for $250, and deposits it in his bank. Write the draft and the entries of J. B. Flint and A. H. Hines.

J. B. Flint of Rochester, N. Y., has drawn a draft for $300, at 30 days' sight, in favor of himself, on J. L. Osborn, of Manchester, N. H. Write the draft, properly accepted, and make the journal entries of J. B. Flint and J. L. Osborn.

BANK DRAFT.

In business a large proportion of remittances are made by means of bank drafts, which are accepted as cash. The following is a form of bank draft.

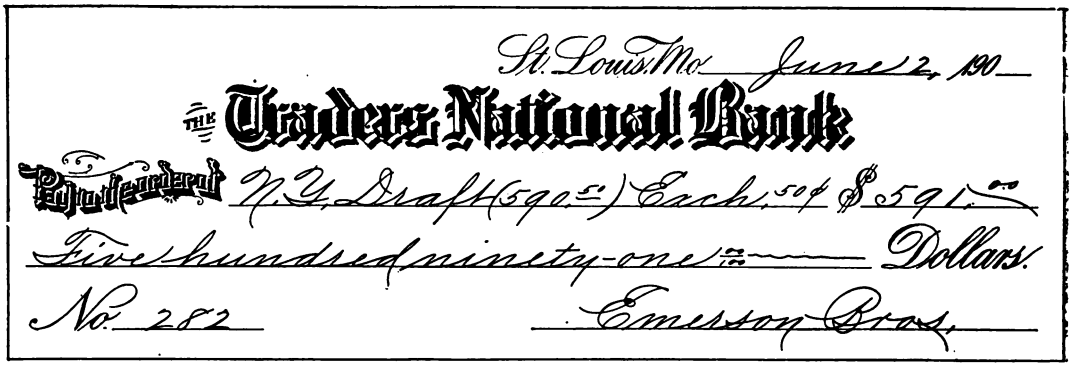
FORM OF BANK DRAFT.


No. 569
St. Louis, Mo. June 2, 190
THE Traders National Bank
Pay to the order of Emerson Bros. $590.50
Five hundred ninety and 50/100 Dollars.
TO The Seaboard National Bank · New York ·
CASHIER

A bank draft, it will be seen, is an order from one bank on another, requesting the payment of a sum of money, unconditionally, to some person or firm named in the body of the draft. These drafts can be purchased at any bank for a small sum in excess of the amount for which they are written. It is the custom of every bank to keep on deposit a certain amount at some bank in the commercial center nearest to its place of business. For instance, all banks in the eastern states will have a deposit with some bank in Boston; all banks in the middle west, with some bank in Chicago; all banks in the southwest, with some bank in St. Louis; all banks on the Pacific coast, with a bank in San Francisco; and all the leading banks in the United States will have a deposit with some bank in New York, since New York is the commercial center of the United States.

In the case of the draft shown in the illustration, let us suppose that Emerson Bros. of St. Louis, Mo., wish to send the Eastman Kodak Co. of Rochester, N. Y., $590.50, to pay for an order of goods to be shipped at once. If the Eastman Kodak Co. are not acquainted with Emerson Bros., they would probably hesitate to accept their personal check for so large an amount as $590.50, and would delay shipment of the goods until they found out whether the check was good or not; therefore, Emerson Bros. make out a check like the following.

FORM OF CHECK.


St. Louis Mo. June 2, 190_

The Traders National Bank

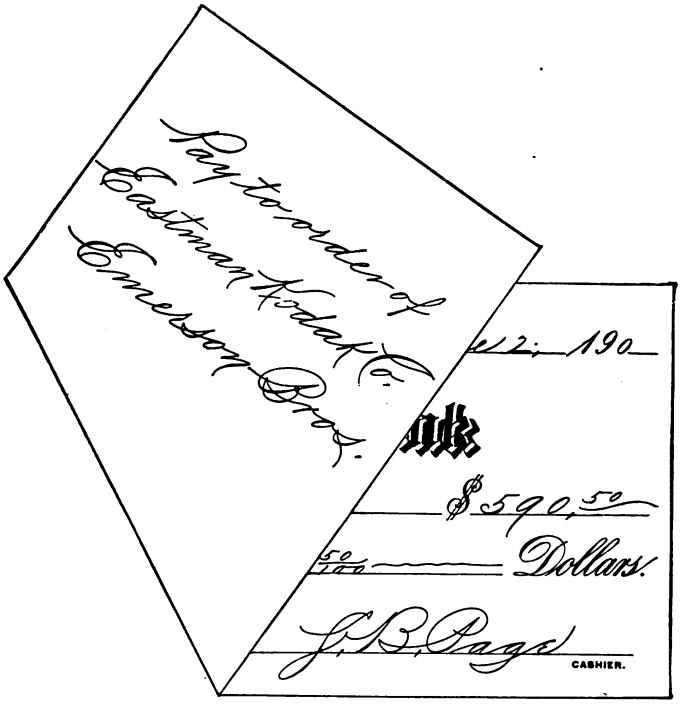
Pay to the order of N. Y. Draft (590.50) Each 50¢ $591.00

Five hundred ninety-one 00/100 Dollars.

No. 282 Emerson Bros.

Emerson Bros. take the above check to the Traders Bank of St. Louis. The bank will charge a small fee for exchange (in this case 50¢), which is included in Emerson Bros.' check, and will make out a draft similar to the form on page 107. Some business houses have these remittance drafts made payable to the order of the person to whom they are to be sent, but the better way is to have the draft made payable to the order of the sender, who will indorse it over to the order of the person to whom it is sent. When this is done, the draft itself, after it has been presented and paid, becomes a perfect receipt for the amount named in its face. In this case, the draft would be accepted as cash by the Eastman Kodak Co., and they would place it as a deposit in their bank in Rochester. This bank would forward the draft to the bank with which it does business in New York, and it would be presented to the Seaboard National Bank of that city, and that bank would pay it and charge it to the Traders Bank of St. Louis. The following shows the draft properly indorsed.

FORM OF INDORSEMENT.



WORK FOR THE STUDENT.

In the following exercises it is required that the student write each draft, with such indorsements or acceptance as it should bear, on foolscap, and make his journal and cash book entries on a sheet of journal paper.

If the teacher deems it advisable, he may require the student to make the journal and cash book entries of all parties to these drafts.

JUNE 1.—Emmons, Hyde & Co., of Chicago, Ill., have agreed to accept your draft at sight for $600, favor of E. L. Martin. Write the draft and make the proper entry (see rule 1, page 104).

JUNE 2.—Geo. C. Chase, Manchester, N. H., has agreed to accept your draft for $275 at 10 days' sight, in favor of Wm. Darling & Co. Write the draft and make the proper entry (see rule 1, page 104).

JUNE 3.—S. A. Dodge & Co., Millbury, Mass., have accepted your draft for $800 at 60 days after date, in favor of yourself. Write the acceptance and make the proper entry (see rule 6, page 107).

JUNE 4.—John Reynolds & Co., St. Louis, Mo., have agreed to accept your draft for $250 at sight, in favor of yourself. Place the draft in the bank and receive credit for its face. Write and correctly indorse the draft and make the proper cash book entry (see rule 6, page 107).

JUNE 5.—O. H. Waters, Boston, Mass., has agreed to accept your draft for $1200 at four months after date, favor of yourself. Write the draft and have it discounted at the College Bank and the net proceeds placed to your credit. Make the proper cash book entry.

Prepare a discount slip, treating the draft exactly as you would a four months' note of a similar amount and date.

For the above transaction, some bookkeepers would make a journal entry, debiting *Bills Receivable* (see rule 6, page 107) and crediting *O. H. Waters*, after which they would make a cash book entry, debiting *Cash* and crediting *Bills Receivable;* also crediting *Cash* and debiting *Discount* for the discount. But the journal entry is unnecessary, since the bill receivable does not remain in your possession. The better method would be to debit *Cash* for the amount of the draft and credit *O. H. Waters* in the cash book, writing *draft at 4 mos.* in the second explanation column of the cash book; then credit *Cash* and debit *Discount*, writing *O. H. Waters dft., 122 das.* in the second explanation column on the credit side of the cash book.

JUNE 6.—Wm. Parsons & Co., Worcester, Mass., have drawn on you at sight through the College Bank, for $650. You accept the draft, payable at College Bank, where you have a deposit. Write the draft and acceptance and make the proper cash book entry (see rule 3, page 105).

JUNE 8.—T. W. Preston, Toledo, Ohio, has drawn a draft on you, dated June 5th, at 30 days after sight, favor of himself, for $200. Accept the draft, payable at your office, and make the proper entry (see rule 5, page 106).

JUNE 8.—Ward Bros., El Paso, Texas, who owe you on account, draw a sight draft on Thomas Traynor & Co., Buffalo, N. Y., in your favor, for $300, and you place the draft in the bank with your daily deposit, receiving credit for its face. Write and indorse the draft and make the proper entry (see rule 2, page 104).

JUNE 9.—Fred Kemble & Co., Concord, N. H., owe you on account, and they give you a draft at ten days from date, for $4000, on A. B. Collins, Pittsburg, Pa., to apply on account, which you accept at its face and place in your bank for collection. Write the draft with the proper indorsements, and make the journal entry (see rule 4, page 106).

JUNE 10.—You owe Chas. Farnham & Co. $510 on account, and you give them a sight draft on H. A. Bowen, Portsmouth, N. H., for the amount. Write the draft and make the proper entry (see rule 1, page 104).

JUNE 11.—You owe O. D. Byron $240 on account, and in payment you give him a draft on C. P. Larcum, Syracuse, N. Y., at 10 days after date for this amount. He accepts the draft at its face. Write the draft and make the proper entry (see rule 1).

JUNE 12.—Geo. Farrish & Co., who are indebted to you, indorse over to you a draft drawn by them, in their favor, on Amos Martin, Philadelphia, Pa., for $485, dated June 1st, at four months from date, accepted by Martin. You receive the draft and give Farrish & Co. credit for its face, less discount at 6% for the unexpired time. Write the draft with indorsements and make the proper entry. (Find the due date of the draft, and discount it for the time between June 12th and the due date.)

JUNE 13.—You have in your possession a draft drawn by yourself, June 4th, on J. C. Dennis & Co., Brooklyn, for $915, at 90 days from date, and accepted by J. C. Dennis &

Co. You indorse this acceptance over to J. L. Osborn & Co., who allow you its face, less discount at 6% for the unexpired time. Write and indorse the draft and make the proper entry. (Find due date and discount for unexpired time.)

JUNE 14.—You have the draft of S. A. Dodge & Co., received June 3d, discounted at the College Bank, and the net proceeds placed to your credit. Make the proper cash book entry.

Hand the journal sheet containing the above entries, and the drafts which you have written, to your teacher for examination. Be sure you understand each transaction before proceeding.

NEW BOOKS TO BE USED.

In this month's work you will use, in addition to the books already in use, the invoice book and the bill book.

Bill Book.—This book contains a list and a brief description of all notes which come into the business or which are given by the business. When notes are received or given, the information called for should be written under the proper headings, as shown in the bill book (see model, page 112). This model contains the proper entries for all notes received and given during the month of May. You may copy the entries found in the model bill book into your bill book exactly as they appear in the model. Your bill book will then show all notes on hand and outstanding at the beginning of the month of June.

Invoice Book.—This book is generally made up of the original bills themselves which are pasted in the invoice book, as shown in the model on page 113, and the amount of each invoice is carried into the money column of the invoice book, also shown in the model. When bills are received, after they have been O. K.'d, paste them in your invoice book, taking care that the right-hand edges of the bill do not extend into the money column of the invoice book. In order to avoid this, it may be necessary to trim the edges of some of the bills, for invoices coming from different business houses will not be of uniform size. Paste lightly on the lower edges of the invoice and let them lap over each other, as shown in the model.

It will be seen that the money column of the invoice book should contain the amount of all merchandise bought by the business, and therefore the footing of this money column should be the debit of the Merchandise account. It will no longer be necessary to enter merchandise purchases in the journal, but at the end of the month, or at such periods as may be desired, the footing of the money column of the invoice book should be carried to the debit side of the Merchandise account, and the page of the invoice book carried to the folio column of the ledger, and opposite the footing in the invoice book should be written the ledger page of the Merchandise account. The amount of each bill should be posted directly from the invoice book to the credit of each person or firm from whom the merchandise is purchased, and the page of the account in the ledger should be written on the invoice itself. as shown in the model on page 113.

BILLS RECEIVABLE.

NO.	WHEN REC'D	DRAWER AND ENDORSER.	DRAWEE OR MAKER.	IN WHOSE FAVOR.	FOR WHAT RECEIVED	WHERE PAYABLE.	DATE.	TIME	WHEN DUE.	L.P.	AMOUNT.	WHEN AND HOW DISPOSED OF.		
												AMOUNT.	DATE.	REMARKS.
1	May 31		A.W.McKey	H.F.Adams	Onacct	City Bk.	190 May 31	1 mo	June 10		700			

112

BILLS PAYABLE.

NO.	WHEN GIVEN	DRAWER AND ENDORSER	DRAWEE OR MAKER.	IN WHOSE FAVOR.	FOR WHAT GIVEN	WHERE PAYABLE.	DATE.	TIME	WHEN DUE.	L.P.	AMOUNT.	WHEN AND HOW DISPOSED OF.		
												AMOUNT.	DATE.	REMARKS.
4	May 2		H.F.Adams	L.Henne & Co.	Inv. & Co.	Comml. Bk.	190 May 2	6 days	July 1		1505—			
5	J.E.Branson	" "	J.E.Branson	Accommodation	" "		190 5	4 mos	Sept 5		5000—			

SEEDS

GRAIN

No. 104

J. J. Disosway & Co.

GENERAL GROCERS AND COMMISSION MERCHANTS,

(Your place here)

Mar. 1 18

Sold to C. W. Hammond & Co

Terms

122 Main City

1102 20

GEO. R. DANENHOWER. JNO. C. DANENHOWER.

NO CLAIMS ALLOWED UNLESS REPORTED WITHIN FIVE DAYS AFTER RECEIPT OF GOODS.

THOMAS E. WOOD, Special Partner

No. 110

Agents for EXTON'S & STAPLER'S Easton Cereals

G. R. DANENHOWER & SON.

WHOLESALE GROCERS

Coffees & Teas a Specialty.

27 S. WATER ST. 1201-1203-1205 BROADWAY

(Your place here)

Mar. 1 18

Sold to C. W. Hammond & Co.

Terms 3/10 Net 30 days

City

106 60

No. 112

C. W. Jefferson

IMPORTER AND JOBBER IN

GROCERIES & PROVISIONS

(Your place here)

Mar. 1 18

Sold to C. W. Hammond & Co

Terms 2/10 1/2 net 60 days

122 Main City

945 34

ISAAC WITZ, ARCHIBALD BOWLING, CHAS. A. WOLF, M. RIVELLEDAN

White Star Mills

MANUFACTURERS OF

HIGH GRADE

FLOURS.

NOT INCORPORATED

No. 117

ALL BILLS SUBJECT TO SIGHT DRAFT AT MATURITY

(Your place here)

Mar. 9 18

Sold to C. W. Hammond

TERMS

122 Main City

168 7

1	450 lbs bbls White S. Flour @ 3.75		168 7

O. K. W. K. C. W. H.

479 61 4

ARTICLES OF COPARTNERSHIP.

ARTICLES OF COPARTNERSHIP, made the first day of June, one thousand nine hundred, between J. B. Lamson, of Manchester, N. H., of the first part, and Frank W. Garland, of Boston, Mass., of the second part, witnesseth as follows:

Whereas, the parties hereunto, having mutual confidence in each other, do this day form with each other a copartnership under the firm name of J. B. Lamson & Co., for the purpose of conducting a wholesale business in tea, coffee, spices and general groceries, at 241 Chestnut St., Manchester, N. H., under the following terms and conditions, to wit:

First. That the said J. B. Lamson of the first part shall contribute the entire resources of his late business located at 241 Chestnut St., Manchester, N. H., as shown by the statement prepared May 31, 1900, less the liabilities, as shown by his statement of liabilities prepared on the same date, which liabilities are to be paid by the firm of J. B. Lamson & Co. The total net investment of J. B. Lamson, as shown by these statements, is $7245.

Second. The said Frank W. Garland of the second part shall contribute cash to the amount of $7245.

Third. The capital so formed is to be used and enjoyed in common between them for the prosecution and management of said business, to their mutual benefit and advantage.

Fourth. Both parties shall devote their entire time to the business, and shall share gains and assets equally, and bear losses equally. J. B. Lamson is entitled to draw a salary of $125 per month, and Frank W. Garland is entitled to draw a salary of $100 per month from the funds of the business.

Fifth. The said J. B. Lamson hereby guarantees that all notes and personal accounts due J. B. Lamson, and invested by him in the firm of J. B. Lamson & Co., shall be worth their face value, less any regular trade discounts to which they may be entitled.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, in duplicate, the day and year first above written.

J. B. LAMSON. [L. S.]
FRANK W. GARLAND. [L. S.]

Signed, sealed and delivered in the presence of

F. W. EARL.

WORK FOR THE STUDENT.

JUNE.

No. 67.—JUNE 1. H. F. Adams is desirous of adding a line of standard groceries to the Tea, Coffee and Spice business in which he is now engaged. Not having sufficient capital to carry on the business alone, he has sold to you a one-half interest in his business for a sum equal to his net worth at the close of the month of May.

Mr. Adams is to do all the buying for the new firm and also to spend a part of his time as traveling, or outside, salesman, while you are to take full charge of the books and attend to the payment of bills, make all notes, checks, drafts and other negotiable paper of the firm, and attend to the management of the store.

The gains and losses of the business are to be shared equally. Each partner is to give his full time to the business, and H. F. Adams is to draw a salary of $125 per month and you a salary of $100 per month. The firm name is to be H. F. Adams & Co.

Prepare articles of copartnership between the two partners, yourself and H. F. Adams, (see model, page 114). For amount of investment, see H. F. Adams's present worth, statement May 31. Present this copy to your teacher for approval, and make such changes as he may suggest. Copy carefully, in ink, on legal cap, the corrected articles of copartnership and present to your teacher, who will sign for H. F. Adams. Sign your own name below that of H. F. Adams, and affix seals. Ask some student, or your teacher, to sign as witness in the left-hand corner opposite the names of yourself and H. F. Adams.

In business two copies should be prepared, one for each partner, and a lawyer experienced in partnership affairs should prepare these articles of copartnership.

Fold the articles of copartnership twice from bottom to top, and brief them by writing on the outer right-hand corner at the top the following:

Articles of Copartnership
between
H. F. Adams
and
(Student's Name)
June 1, 190–

No. 68.—JUNE 1. Procure from your teacher $200 in cash and check for the balance of your investment, which will be the same as H. F. Adams's present worth at the end of May. Enter the amount in the cash book on first line below the balance for June 1, crediting yourself for investment.

Write a check in favor of H. F. Adams & Co. for the amount of H. F. Adams's balance in Commercial Bank, as shown by the stub of your check book. Deposit this check and check received from teacher. You will no longer sign or indorse checks and other negotiable paper with your name as attorney, for you are now a member of the firm of H. F. Adams & Co., and have the same right to sign checks and other papers that Mr. Adams has; but, in order that your teacher may be able to identify your work readily, you will write your own name under that of H. F. Adams & Co. on all paper you may have occasion to indorse or sign.

No. 69.—JUNE 1. You will pay H. F. Adams's gas bill for the month of May, $7.87. This bill belongs to last month's business, but it has been agreed that such bills as did not appear on the books shall be paid by the new firm when due.

Write a check for the amount and place the receipted bill in your Voucher File. Place the check in Cash Paid Out. Make the proper entry in your cash book.

No. 70.—JUNE 3. This transaction calls for an invoice of merchandise purchased.

Examine the invoice and see that it is correct. If found to be correct, paste the invoice in your invoice book and write the amount of the invoice in the money column of the invoice book (see model, page 113). No journal entry is required for this transaction for, as explained under "Invoice Book," page 111, all postings are made directly from the invoice book.

No. 71.—JUNE 3. This transaction is similar to No. 70 and should be treated in the same manner.

Examine the invoice and see that it is correct; if so, then paste it in the invoice book and enter the amount in the money column of the invoice book.

No. 72.—JUNE 4. You now take out a policy of insurance on your stock of merchandise for $3000 at 1% premium.

Make a check for the amount in favor of the Equitable Fire Insurance Co. Place it in your Cash Paid Out envelope. Place the policy in your Voucher File, and make the proper cash book entry (see transaction No. 30, page 82).

No. 73.—JUNE 4. You have outstanding a note in favor of L. Hennes & Co., for $1505, which is due 60 days after date, May 2d. This note will fall due July 1st.

As you have money in the bank which you do not need to use in your business at present, you may pay this note. It is the custom in business to allow discount for the unexpired time on all notes paid before due. You will therefore take the note from Bills Payable File and calculate the discount on its amount for the time which it still has to run (from June 4th to July 1st=27 days). Subtract the discount, $x.xx, from the amount of the note, and write a check for the balance. Place the check in Cash Paid Out. Write *Paid, June 4, 190–*, across the face of the note, and place it in your Voucher File. This transaction calls for a cash book entry. Credit *Cash* for the full amount of the note, and debit *Cash* for the amount of the discount. In your bill book under *When and How disposed of* place *1505* in the Amount column, *June 4* in the Date column, and *Discounted* in the Explanation column.

FORM OF NOTIFICATION OF DRAFT.

Rome, N. Y., June 1, 190 .

Messrs. White, Smith & Perry,
262 Brown St.,
Providence, R. I.

Gentlemen,--

We have this day drawn upon you at sight, in favor of A. V. Jackson & Co., for $225. Please honor the draft and oblige

Yours truly,
Williams & Raymond.
W.

No. 74.—JUNE 5. You may draw at sight on Rice & Pond, of Georgetown, for $265, which is the amount you owe E. Westen Tea & Spice Co., to balance the account of May 7th.

Write the draft, following the model on page 103. Enclose it with a letter of remittance properly addressed to E. Westen Tea & Spice Co. (see model, page 86). Write a letter to Rice & Pond, notifying them that you have drawn on them at sight for $265,

and request them to honor the draft (see model, page 116). Referring to rule 1, page 104, make your journal entry. Place both letters in your Vouchers for Others.

No. 75.—JUNE 5. F. C. Tenney, who lives in your city, has agreed to accept your draft at sight for $90, in favor of C. K. Fox, who also lives in your city.

This transaction is similar to No. 74. Write the draft and place it in Vouchers for Others. Make your journal entry as in No. 74. Why do you make *C. K. Fox* Dr.? Why do you make *F. C. Tenney* Cr.?

No. 76.—JUNE 5. This order has been received from your Mr. Adams, and A. W. McKey agrees to accept a draft at 30 days from the date of the sale.

Make a bill of the goods ordered, checking off each item on the saleman's order. Enter the sales in your sales book, deducting 1%, and place the bill in your Vouchers for Others.

Using the model on page 105 as a form, draw a draft at 30 days for the net amount of the bill, as shown in your sales book. Do not write *Accepted* across the face, but take the draft to your teacher, or to the person appointed to attend to such paper, and if correct, he will write *Accepted*, with the name *A. W. McKey*, across the face of the draft. When he has done so, enter the accepted draft in your bill book, after which place it in your Cash Drawer. Make the proper journal entry. What account should be debited, and why? What account should be credited, and why? (See rule 6, page 107.)

No. 77.—JUNE 6. This is also a salesman's order from a city customer, and calls for a 3% discount for payment by ten-day acceptance.

Fill the order, verify your calculations, and enter in your sales book, deducting 3%. Draw a ten-day draft on F. C. Tenney for the net amount of the bill and take it to your teacher for approval. If the draft is correct, he will accept it for F. C. Tenney. Place the draft in your Cash Drawer after you have made the proper journal and bill book entries. This transaction is similar to No. 76.

No. 78.—JUNE 6. This invoice has been purchased by Mr. Adams, who has agreed to accept a draft at 10 days, and the draft ready for acceptance accompanies the invoice.

See that the invoice is correctly made, and if the amount is right, then write across the face of the draft, in red ink, *Accepted, payable at Commercial Bank*, and sign the name, *H. F. Adams & Co.* Place the draft thus accepted in your Bills Payable File, after you have entered it in your bill book.

Paste the invoice in your invoice book, and at the proper time you will post it from this book to the debit of *Merchandise* and to the credit of *West, Stone & Co.* Make a journal entry, debiting *West, Stone & Co.* for the amount of the acceptance. What account should be credited, and why? (See rule 16, page 30.)

Some bookkeepers would post direct from the invoice book to the credit of Bills Payable, but if this is done the ledger will not show how much business you have done with West, Stone & Co., and it is believed this information is worth more than the trifling addition of time required to post to the credit of West, Stone & Co. from the invoice book, and then post back to their debit from the journal.

No. 79.—JUNE 7. This order has been taken by Mr. Adams, who has received a check for $600, to apply on account.

No receipt is required. Fill the order, checking off each item. Verify your calculations and enter in the sales book. Place the check in your Cash Drawer, and make the proper entry in your cash book.

No. 80.—JUNE 7. Deposit in your bank the check received from A. A. Knowles & Co., and have the two acceptances received June 5th and 6th discounted and the net proceeds placed to your credit.

Your bank pass book should show a separate entry for each of these acceptances. You may also leave for collection the note of A. W. McKey, which is due June 10th. This note should be entered in your bank pass book, but the amount should not be extended into the money column. The following is the form of entry to be made in the bank pass book.

June	7	Note, A. W. McKey,	$700,	

See that your notes are properly indorsed and make out a separate discount slip for each of the acceptances. Make cash book entries and entries in your bill book for the two acceptances, but no entry should be made for the note which is left merely for collection. You will be notified when it is paid and the amount will be carried into the money column of your pass book. Do not forget to enter the net proceeds of the two acceptances on the stub of your check book.

Some banks give a receipt for notes and other paper left for collection, instead of entering short in the pass book. Others enter all such paper in the back part of the pass book.

No. 81.—JUNE 7. EIGHTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher.

Do not proceed until this report is returned, approved, unless your teacher so directs.

No. 82.—JUNE 8. Pay your bill of June 1st, favor of City Mills Co., deducting a discount of 3%.

Calculate the discount and make out a check for the balance. Fill out a remittance blank, and place the check and the remittance blank in Vouchers for Others. Make the proper entries in the cash book.

No. 83.—JUNE 8. This invoice has been received for goods purchased by Mr. Adams. Verify the invoice and paste it in your invoice book.

No. 84.—JUNE 10. Pay your invoice of June 2d by check, less discount, and make the proper entries in your cash book.

No. 85.—JUNE 10. This order has been received by mail.

Make a bill for the merchandise, checking each item as entered on the bill. Draw a draft, as requested, and leave the draft at your bank for collection, having the amount short-extended in your bank pass book. This draft, when accepted, will become a bill receivable. If you should send the draft to Mason & Co. for acceptance, you would make no entry at the time, but would await its return from them. Instead of doing this you have placed the draft in the bank for collection, which is the ordinary method of handling such paper. As Mason & Co. have agreed to accept it, you may debit *Bills Receivable* and credit them. Enter the draft in your bill book.

No. 86.—JUNE 11. This order has been handed in by Mr. Adams.

Make a bill, and do not forget to check off the items. Be sure your calculations are

right, after deducting 3% discount. Charge Fletcher Bros. only the net amount of the bill entered in the sales book, as you know them and are sure they will pay on receipt of goods.

No. 87.—JUNE 11. This check has been received in payment of merchandise delivered on the same date to Fletcher Bros. Credit them for the amount of the bill, as shown in your sales book under same date.

No. 88.—JUNE 11. This bill is for freight and drayage on all goods received up to date.

You may pay this bill in cash. Place the amount in your Cash Paid Out envelope, and place the receipted bill in your Voucher File.

No. 89.—JUNE 12. On May 5th H. F. Adams borrowed from the bank $5000, to pay for the building and lot, #246 Main St., giving a four months' note for the amount. As the firm now has several thousand dollars in the bank, for which there is no immediate use, it will be well to pay this note, as discount will be allowed for the unexpired time. The note has 85 days to run, and the discount on $5000 for 85 days is $7x.x3.

Make a check for $49xx.x7, take it to the bank teller and receive the canceled note. Make an entry in your cash book and in your bill book. If no bank is used in connection with these transactions, the note will be found in Bills Payable File. Take it from the file and place the check in Cash Paid Out, instead of giving it to the bank teller. Write, *Paid, June 12, 190–*, across the face of the note, and place it in your Voucher File.

No. 90.—JUNE 12. This order has been received through Mr. Adams, together with a check for $500 to apply on account. Make the bill and enter in the sales book. Credit *F. H. Randall & Co.* in the cash book for the amount of the check.

No. 91.—JUNE 13. This invoice has been purchased by Mr. Adams, who has O. K.'d it. Verify the calculations and paste the invoice in the invoice book.

No. 92.—JUNE 13. Take from your Cash Drawer $100 in currency, and also the checks of Fletcher Bros. and F. H. Randall & Co. Deposit these in the bank, and ask the teller if the interest-bearing note of A. W. McKey, dated May 31st, and left by you for collection, has been paid. It has been paid. Therefore, have him place the note and interest to your credit in the bank pass book. On a slip of paper calculate the interest on this note for 10 days, and add the amount of the interest to the face of the note. This is the amount which should be placed to your credit in the bank pass book. If your interest calculation is correct, the bank clerk will give you credit for the amount of the note, which is its face plus the interest. (If no bank is used, enter the amount yourself.) Add this amount to your bank balance on the stub of your check book, and also add the amount of the deposit slip.

You have received $701.17 in cash. Of this amount $700 is for bills receivable, the amount of A. W. McKey's note; therefore, *Bills Receivable* should be credited $700 in the cash book, with the explanation, *A. W. McKey's note 5/31.* The remaining $1.17 has been received for interest, and therefore *Interest* should be credited in the cash book $1.17, with the explanation, *on above note.*

Rule 23.—*INTEREST is credited when it is allowed to the business by other persons.*

No. 93.—JUNE 13. Your acceptance of June 3d is due to-day, and as it was made payable at the bank, it should be charged to your account.

Take this acceptance from the Bills Payable File, and present it to the bank teller, requesting him to charge it to your account. He will keep the draft and return it to you canceled when your bank book is written up. If you have no bank, write *Paid, June 13*, across the face of the draft, and enter it on the credit side of your bank pass book, placing the canceled draft in your Voucher File.

Make an entry in your cash book, to show that the acceptance has been paid. What account should be debited? Why? In your check book on the stub deduct this amount, $1111.62, from the amount on deposit, as shown by the balance of the stub. Why should this be done?

No. 94.—JUNE 14. This order has been sent in by Mr. Adams, who is on an out of town trip. Desiring to take advantage of the discount, Rice & Pond have given him their note at four months, with interest, for $1000, to pay the balance of their old account and to apply on this order. They agree to accept a sight draft for the balance of the order, whatever it may be, or will send check on receipt of bill.

Fill the order and enter in your sales book, allowing them 3% discount. Prepare freight receipts to accompany this invoice. Place the note in your Cash Drawer and make the proper entries in the journal and in the bill book. Do not draw at sight for the balance, but allow it to remain on account.

No. 95.—JUNE 14. This order is from a new customer and is sent in by Mr. Adams, who vouches for the financial standing of the firm. They ask regular ten-day cash discount, and agree to accept a sight draft in ten days.

Make the invoice and freight receipts and draw a sight draft, dating it ten days ahead, or June 24th. Write a letter to accompany the bill, informing Varick & Co. that you will draw on them, as requested, in ten days. Enclose invoice, letter and freight receipt in an envelope properly addressed. Place the draft in your Cash Drawer, and two or three days before it becomes due place it in the bank for collection. You will be informed when to do this.

Many bookkeepers would not draw the sight draft at this time, but would wait until it became due. If a draft is not drawn at the same time a sale is made, it is apt to be overlooked.

No. 96.—JUNE 14. Pay your invoice of June 5th, City Mills Co., $1266, less 3% discount. Calculate the discount, which will be $3x.x8. Write a check for the amount due. Enclose the check with a remittance blank filled out in a properly addressed envelope, and place in Vouchers for Others. Make the proper entries for the transaction.

No. 97.—JUNE 15. This purchase has been made by Mr. Adams, who, wishing to take advantage of the best discount, agrees to pay spot cash or to give a note with interest. Not wishing to pay cash at this time, you may give a note at 15 days, with interest, for the amount of the invoice. Paste the invoice in the invoice book and make entries in the journal and bill book. Place the note in Bills Payable File.

No. 98.—JUNE 15. SHIPMENTS. This letter calls for a shipment of merchandise to another person, to be sold on commission, and such transactions are not at all uncommon in business. When, for any reason, goods are not selling well in any particular locality, it is often good policy to send them to a commission merchant in some place where there is likely to be a better demand for them. The commission dealer sells the goods, and after taking a certain per cent for commission, sends the balance to the person

who shipped the goods. A quantity of goods shipped to be sold on commission is designated as a "shipment." The shipment is entered in the sales book under the title "Shipment to (the name of the commission dealer)." The shipment is charged for the regular cost price of the merchandise, and if any charges have been paid the shipment is also debited for these in the cash book.

An account is opened in the ledger with each shipment. If two or more shipments are sent to the same person or firm, an account is opened with Shipment to ———— #1, Shipment to ———— #2, and so on, opening a separate account for each shipment sent.

You may send T. W. Bowen & Co., Dover, a trial shipment of 50 brls. Northern Star and 25 brls. Searchlight. Fill out a shipment blank found in your business forms, also a freight receipt, which you will enclose in an envelope addressed to T. W. Bowen & Co. The following is a form showing the proper method of entering a shipment in the sales book.

	Shipment E. M. Pace #1 Chicago, Ill.					
	50 brls. White Cloud Flour			4 50	225	
	100 " Snow Flake "			4 25	425	
	20 hf. chts. Oolong Tea	1000#		50	500	1150

Rule 24.—*SHIPMENTS are debited for the cost price of the merchandise shipped, and for all advance charges paid upon it.*

Find the cost price from your invoice book.

No. 99.—JUNE 15. You may pay your clerks as follows: R. E. Leavitt, $30; D. J. Allard, $20. As you have not enough money in your Cash Drawer, you may make out a cash check for the amount required, $50. Receive the cash and place it in Cash Paid Out.

If there is no bank, present the check to your teacher, who will give you the money. Make the proper entry for the above transaction.

When cash is drawn from a bank for use in business, what is known as a cash check should be used. Such a check requires no indorsement. The following is a form of cash check.

(Your place here.) June 15, 190—

ALLIANCE BANK

Pay to the order of Cash ———— $70.00

Seventy ——— Dollars

No. 914 John B. Smith

No. 100.—JUNE 15. NINTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do not proceed until the report is returned, approved, unless your teacher so directs.

No. 101.—JUNE 17. This is a mail order and calls for a small lot of tea, to be followed with a larger lot of goods, to be sent as soon as you are satisfied as to the reliability of the firm, with whom you have had no dealings thus far.

Make out a C. O. D. and enter the sale in your sales book, as in No. 40, page 88. This is a cash sale, and as such it is entitled to 3% discount. Deduct the discount when you enter in the sales book, also upon the bill, which should be for the net amount only.

No. 102.—JUNE 17. You have received but few orders for Ceylon tea recently, so you have decided, with Mr. Adams, to make a shipment of 20 cases of this tea, closing out your stock. Send it, with 10 mats Java coffee, to T. W. Bowen & Co., of Dover, to be sold on commission. Pay freight in advance, $3.60, in currency.

Enter the shipment in your sales book (T. W. Bowen & Co. #2), and make the proper entry in your cash book for the $3.60 paid as freight. What account should be debited for this amount? Why? (See No. 98.)

No. 103.—JUNE 17. This purchase of merchandise has been made by Mr. Adams. Paste the invoice in your invoice book after verifying the calculations.

No. 104.—JUNE 18. Write a check for the amount due Shields Bros., and send it with a remittance blank properly filled out. Make the proper entry.

No. 105.—JUNE 18. This draft has been drawn on you by L. Hennes & Co., and is the amount due for bill of May 24th. You will accept the draft, and place it in your Bills Payable File. What account should be debited? Why? (See transaction, No. 78, page 117.)

No. 106.—JUNE 19. The references given by D. W. Perry & Co. having proved satisfactory, you may fill their order of June 15th. Do not forget to check each item and make the entry required.

No. 107.—JUNE 19. This is a return of C. O. D. sent June 16th. Make the proper entry (see No. 47, page 89). Pay 50¢ in currency for express charges.

No. 108.—JUNE 19. Take from your Cash Drawer the note of Rice & Pond received June 14th, and have it discounted and the net proceeds placed to your credit.

This is a fourth months' interest-bearing note, therefore, on a discount memorandum, write the amount of interest which will be due Oct. 12th, on which date the above note is payable, and add the interest to the face of the note. The interest on $1000 for four months is $20. From June 19th to Oct. 12th, the due date of the note, is 115 days. Calculate the discount on $1020, the amount due Oct. 12th, for 115 days. This amount is $19.55, which subtract from $1020, and you will have the amount to be placed to your credit in your bank pass book and on the stub of your check book.

In the cash book you have received cash for the note, $1000, and also for the interest, $20; therefore, you will have two entries on the debit side of your cash book. What account should be credited for the $1000? Why? What account should be credited for the $20 interest?

On the credit side of your cash book you should place the amount of discount you have allowed the bank, which is $19.55 (see example May 9, page 99).

No. 109.—JUNE 19. In this transaction Randall & Co. have ordered goods and sent you a check sufficient to pay the balance of their bill of June 12th, and part of the merchandise ordered in their letter accompanying the check. They are entitled to 3% discount on such goods as this check will pay for. At 3% discount, 97¢ will pay for $1.00 worth of goods as invoiced at their regular price, therefore it is evident that $600 will pay for as many dollars' worth as 97¢ is contained in $600. $600÷.97=$618.56, and *F. H. Randall & Co.* should be credited with this amount. Enter *$618.56* on the debit side of your cash book, and on the credit side enter *$18.56*, the amount of merchandise discount allowed F. H. Randall & Co. Enter the sale as usual in the sales book. Do not deduct 3%.

No. 110.—JUNE 20. This account sales has been received, together with a check for the net proceeds. It is the amount you have received for the shipment made June 15th, and shows you how much Bowen & Co. received for the goods, also the amount they paid for freight and their commission. What account should be debited? What account has produced value to the business in this case?

Rule 25.—*SHIPMENTS are credited with the net proceeds shown on the account sales received from the person to whom the shipment was sent.*

Place the check in your Cash Drawer, and the account sales in your Voucher File.

No. 111.—JUNE 20. Take from your Cash Drawer $50 in bills; also the checks of F. H. Randall & Co. and T. W. Bowen & Co. Enter the amounts on a deposit ticket, and take it with the checks and your bank pass book to the bank. Make the proper entry on your check book stub.

No. 112.—JUNE 20. Purchase of merchandise on account by Mr. Adams.

No. 113.—JUNE 20. Pay Reynolds, Davis & Co's. invoice of June 10th, less 2%, by check.

No. 114.—JUNE 21. This bill is for freight and cartage to date. Write a check for the amount, and place it in Cash Paid Out. Place the receipted bill in your Voucher File. What account should be debited for this amount in your cash book?

No. 115.—JUNE 21. Mr. Adams has purchased this invoice and has agreed to accept a draft at 30 days for $800, the balance to be paid in four months. Accept the draft which accompanies the invoice, and place it in Bills Payable File. Make the proper entries in your books for the transaction.

No. 116.—JUNE 21. This purchase is on account. Enter as usual.

No. 117.—JUNE 22. Mr. West, of West, Stone & Co., has called upon you, soliciting orders, and being short of money has agreed to allow you 2% discount on the invoice of May 20th, which is not due until July 19th, if you will accept a ten-day draft. You agree to this proposition, and accept a draft for the amount, less 2%. Place the draft in Bills Payable File. What account should be credited for the 2% discount?

No. 118.—JUNE 22. Smith, Perkins & Co. have decided to retire from business, and have made Mr. Adams an offer of 12½% discount from regular market quotations for such goods as he can use from stock. This invoice has been selected on the terms indicated. Write the check and note, and enter in cash book, journal and bill book. Place the check in Cash Paid Out and the note in Bills Payable File.

No. 119.—JUNE 24. Take the sight draft on Thos. Varick & Co. from your Cash Drawer and enter it on a deposit ticket. Take this ticket, with your bank pass book, to the bank, and ask the teller to enter it to your credit. You drew this draft at the time of sale, but made no entry. What account should be debited, now that you have received credit for the draft at your bank? What account should be credited?

It is the custom of most banks to place sight drafts to the credit of responsible depositors, when requested, the same as checks. If not paid, they are charged back to the depositor.

No. 120.—JUNE 24. TENTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do not proceed until the report is returned, approved, unless so directed by your teacher.

No. 121.—JUNE 24. This account sales has been received from T. W. Bowen & Co., who have placed the net proceeds to your credit subject to your sight draft. What account should be debited for this amount? Why? What account should be credited? Make the proper entry in your journal, and place the account sales in your Voucher File.

No. 122.—JUNE 24. Fletcher Bros., of your city, have been getting 3% discount for cash, but being short of money at this time, they ask you to take their acceptance at 30 days, with interest at 6% added, for the amount of the bill, and still allow them the full amount of the discount. Adding 6% interest to the net amount of the bill will give you, in 30 days, the same amount as if they had paid you cash and you had placed it on interest for that time, so you will accept the proposition and fill the order.

Draw a draft at 30 days on Fletcher Bros. for the net amount of the bill, as shown by the sales book, with 30 days' interest at 6% added. Take the draft to your teacher, who will accept it for Fletcher Bros. if the amount is correct. Enter in your sales book, journal and bill book.

No. 123.—JUNE 24. The draft on E. Mason & Co., at 10 days, left for collection June 10th, has been paid. Have the bank teller enter the amount in your bank pass book. (If you have no bank, enter it yourself.) Make the proper entry in your cash book, and do not fail to add the amount to the balance shown on the stub of your check book.

No. 124.—JUNE 24. Draw a draft at sight on T. W. Bowen & Co. for the net proceeds of shipment No. 2, as shown by account sales of June 22d. Enter the amount of this draft on a deposit slip and take it to the bank with your bank pass book. Have the teller give you credit for the amount of the draft (see No. 123). Enter on the stub of your check book. Make the proper cash book entry.

No. 125.—JUNE 24. This order is sent in by Mr. Adams, and Varick & Co. agree to accept a draft at four months on receipt of goods. (No discount on this order.) Make freight receipt.

No. 126.—JUNE 24. This order is sent in by Mr. Adams, and contains a check for $500, to apply on invoice of the 19th, less 3% for such part of the bill as this check will pay (see transaction No. 109, page 123).

No. 127.—JUNE 25. This acceptance was drawn by A. W. McKey on C. H. Brooks & Co. on June 15th, and was accepted by C. H. Brooks & Co. McKey hands the acceptance over to you; it is not due for 50 days, therefore it is not worth its face, $500, but the discount on $500 for 50 days should be deducted from the face of the paper in order

to find out what it is really worth to you on June 25th: The discount on $500 from June 25th to the date at which the draft becomes due, August 14th, 50 days, equals $4.17. Deducting $4.17 from $500 leaves $495.83, the net value of the draft June 25th. Credit *A. W. McKey* for this amount. What account should be debited for the face of the draft? Why? What account should be credited for $4.17? Why? Make proper entry in bill book.

Enter in your journal.

Rule 26.—*DISCOUNT is credited when it is allowed to the business by other persons.*

No. 128.—JUNE 25. Ship T. W. Bowen & Co. 100 brls. N. S. flour, 100 brls. Searchlight, 20 hf. chests English Breakfast, 24 hf. chests Oolong, 100 doz. C. corn, 100 doz. C. tomatoes, and pay freight in advance by check, $27. Make sales book and cash book entries.

No. 129.—JUNE 25. Draw at four months from date, on Varick & Co., in favor of E. Westen Tea & Spice Co., for the amount of the bill of the 24th, $510.04. Send it to E. Westen Tea & Spice Co., to apply on account, less the discount for four months.

The draft is not worth $510.04 until it becomes due, four months after date, or Oct. 25th. Calculate the discount for four months, which will be $10.20. The net value of the note at this time, therefore, is $499.84. For what amount should E. Westen Tea & Spice Co. be debited? For what amount should Varick & Co. be credited? What account should be debited for $10.20? Why? Place the draft in Vouchers for Others, and enter in your journal.

No. 130.—JUNE 26. On the evening of June 25th a fire resulted in the partial destruction of the building, ♯246 Main St., and the total loss of office furniture. The books were saved; also the cash and the contents of safe. Most of the goods were destroyed. From your books you find that you had on hand the list of goods No. 130. This schedule of goods has been carefully made up from your sales book and invoice book, and is believed to be a correct statement of merchandise on hand at the time of the fire.

Fill out the amounts. Sign your own name after that of Mr. Adams. Then hand the schedule to your teacher, who represents the insurance company, and tell him that you present this as your claim for loss by the fire.

No. 131.—JUNE 26. This offer requires the consent of the Equitable Insurance Company before it can be accepted, as no adjustment of the loss has been made. Ask your teacher, who represents the insurance company, for permission to accept this offer. He will write *Permission is hereby granted to accept this offer*, across the face of the letter from Fletcher Bros., and you may make out a bill of sale for the entire lot without itemizing. Place the check (No. 131) in your Cash Drawer, and make the proper entries.

No. 132.—JUNE 27. Pay invoice of June 14th favor of Geo. C. Buell & Co., less discount, by check.

No. 133.—JUNE 28. Your acceptance of June 18th, favor of L. Hennes & Co., is due to-day.

Take this acceptance from Bills Payable File, and proceed exactly as in No. 93. Enter in your cash book, bill book, and check book. Deduct the amount from your bank balance on the stub of your check book.

Statement of Losses &

Mdse. on hand at end of May	2240		
" cost of during June	6860		9100
			9100
Loss brought down			1490
Shipt. Bowen & Co. #2 cost	540		
" " " " net proceeds	525		15
Real Estate value at end of May	2000		
" " rec'd insurance 1200.			
" " value of lot 400.	1600		400
Expense			420
Office Fixtures destroyed by fire			247 50
			2572 50

No. 134.—JUNE 30. This draft is in full payment of claims against the Equitable Insurance Company, which pays you $5000 on the building and $3000 on the stock of merchandise. What account should be credited for $5000? What account for $3000? Make the proper entries.

No. 135.—JUNE 30. Deposit all checks and cash. Pay your note of June 15th and interest by check. Face of note, $816.55; interest, 15 days, $2.xx. The check is $818.xx. Proceed as in example May 14, page 99.

Rule 27.—*INTEREST is debited when it is allowed by the business to other persons.*

No. 136.—JUNE 30. In the journal credit yourself $100 and H. F. Adams $125 for the amount due for salaries for the month of June. What account should be debited for $225?

No. 137.—JUNE 30. Draw a cash check for $50, and pay H. F. Leavitt $30 and D. J. Allard $20, salaries due to date.

No. 138.—JUNE 30. H. F. Adams hands in this bill (No. 138) of $87.50 for traveling expenses incurred while on the road during the month of June, which he has paid

Gains, June 30, 190-

Mdse. sales during the month of June			7610
Loss carried down			1490
			9100
Shipt. Bowen & Co.* 1 net proceeds	845		
" " " " cost	750		95
Mdse. Disct. excess of credits			65
Interest " " "			750
Discount " " " "			12
H. F. Adams ½ net loss	1196 50		
Student ½ " "	1196 50		2393
			2572 50

*To be written in red ink.

from his own funds. What account should be debited for this amount? What account should be credited?

No. 139.—JUNE 30. Pay freight and cartage bill to date by check.

No. 140.—JUNE 30. ELEVENTH REPORT. Make a report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher.

Have your bank book written up.

Post your transactions from journal, cash book, invoice book and sales book. Check back your postings according to instructions on page 26. Make out your monthly statement to each customer and take a trial balance. Do not close the cash book, but find the balance in pencil and carry it to the trial balance.

DIRECTIONS FOR MAKING A STATEMENT OF LOSSES AND GAINS.

JUNE 30, 190-.

Using the above form as a model, prepare in your trial balance book a statement of the gains and losses of the month just closed. The names of the accounts used in the model are those of your June accounts, but the amounts are entirely different, and are used only to show you the exact form of a complete statement.

Statement of Resources &

Cash in bank		5697
Property as under:		
Real Estate inventory valuation		400
Sundry trade debtors as under:		
Bills Rec. notes and acceptances		3660
Open book accts, considered good		8600
		18357

The merchandise on hand at the beginning of the month of June, and the cost of merchandise during the month, will be found on the debit side of the Merchandise account in the ledger. The sales of merchandise during the month of June will be found on the credit side of the Merchandise account in the ledger. This amount includes the amount received for insurance. Find the loss, and close the first section of your statement of gains and losses, bringing down the loss in the second section. Find the cost of shipment to T. W. Bowen & Co., No. 2, from the debit side of that account in the ledger; find the net proceeds from the credit side. Find the value of real estate at the end of May from the statement of resources and liabilities, May 31st. The lot on which your building formerly stood is estimated to be worth $6000. The amount received for insurance is shown on the credit side of Real Estate account in your ledger. The amounts of expense and office fixtures will be found on the debit side of those accounts in the ledger. Net proceeds of shipment to T. W. Bowen & Co., No. 1, will be found on the credit side of that account in the ledger; the cost on the debit side. The excess of merchandise discount will be found by taking the balance of that account, as shown in your trial balance, and the same is true of interest and discount. Write the net loss in red ink, and close the statement of gains and losses.

DIRECTIONS FOR MAKING A STATEMENT OF RESOURCES AND LIABILITIES, OR BALANCE SHEET.

JUNE 30, 190–.

Using the above form as a model, prepare in your trial balance book a statement of resources and liabilities for the month of June. The names used in the model are those

Liabilities, June 30, 190-

Sundry trade creditors as under:			
Bills Pay. notes and acceptances			1200
Open-book accts.			5300
			6500
H. F. Adams invested		7200	
" " ½ net loss		1196 50	
" " present worth			6003 50
Student invested		7050	
" ½ net loss		1196 50	
" present worth			5853 50
			18357

of your accounts for the month of June, but the amounts are entirely different, and are used merely to give you a complete form.

Cash in bank will be the amount of cash shown in your trial balance; also on the stub of your check book. *Real Estate* will be shown by your inventory at the end of June, $6000. *Bills Receivable* will be the balance of that account, as shown in your trial balance. *Open book accounts considered good* will comprise the accounts of A. A. Knowles & Co., Dickson & Young, A. W. McKey, F. C. Tenney, F. H. Randall & Co., Rice & Pond, Edwin Mason & Co., D. W. Perry & Co., and shipment T. W. Bowen & Co., No. 3, as shown in your trial balance. *Bills Payable* will be the balance of that account, as shown in your trial balance. *Open book accounts* will be the balances due West, Stone & Co., E. Westen Tea & Spice Co., Shields Bros., and Smith, Perkins & Co.

Close all accounts in your ledger showing losses or gains; also the Loss & Gain account, and the partners' accounts.

No. 141.—JUNE 30. It has been decided to discontinue the business. You take for your net worth the amount of the shipment to T. W. Bowen & Co., No. 3, at its ledger valuation, $1955, and receive a check for the balance. Make out the check, and enter in the cash book. Make a journal entry to show the transfer of the shipment. Post these two entries and balance the cash book. H. F. Adams retains the remaining resources of the business, you agreeing to make up one-half of any losses which may occur from bad debts, and he agreeing to pay all the liabilities of the business. The real estate is valued at $6000. Draw a check to the order of H. F. Adams for the balance of cash remaining in bank. Indorse this check in H. F. Adams's name to the order of your teacher and give it to him. (No entry.)

Prepare a memorandum of this agreement, and sign it and ask your teacher to sign for H. F. Adams. Get your check cashed and hand the amount to your teacher.

Prepare a notice of dissolution of partnership, according to model (see Appendix), and inclose a copy with your monthly statement to each customer.

Write a letter to T. W. Bowen & Co., Dover, notifying them of the dissolution, and requesting them to send the net proceeds of shipment No. 3 to you when they render an account of sales.

EXAMINATION.

The United States Civil Service Commission in its examinations in bookkeeping requires the candidate to take common foolscap paper and make all rulings required by the transactions. Unless otherwise directed, you may take common foolscap paper and rule properly for the journal, sales book, cash book and ledger, on which to copy the records required in the following series of transactions, which are designed to test your understanding of the principles taken up in the past three months' voucher work. No references are given, as no new principles are introduced.

Your teacher will assign you a selling price list from the Cost and Selling Price Lists, page 132.

Use great care in making your enteries, that no mistakes will appear in your work. After your journal, cash book and sales book have been written up, go over the transactions carefully to see that no mistakes have been made. Then post to your ledger and take a trial balance. Using the models on pages 92, 93, 96 and 97, prepare statements of losses and gains and resources and liabilities, and close your ledger, after which present the examination papers to your teacher.

TRANSACTIONS.

JUNE 1.—Commenced the Wholesale Carpet business, at ♯182 Elm Street, investing cash, $5500.

JUNE 1.—Paid $250 for office furniture.

JUNE 2.—Bought of John H. Pray & Co., Boston, net 30, 2% 10, 600 yds. Moquette, 750 yds. Body Brussels, 1200 yds. Ingrain, 1200 yds. Matting, 2500 yds. Lining.

JUNE 3.—Bought of Barton & Bros., Philadelphia, on your note at 15 days, with interest, 1220 yds. Linoleum, 1429 yds. Oilcloth.

JUNE 4.—Sold E. B. Alling & Co., 3% cash, 125 yds. Moquette, 150 yds. Body Brussels, 300 yds. Lining.

JUNE 4.—Sold F. H. Walling & Co., net 30, 2/10, 200 yds. Ingrain, 400 yds. Matting, 600 yds. Lining.

JUNE 4.—Sold J. G. Carter & Co., on their note at 4 mos., 400 yds. Moquette, 450 yds. Body Brussels, 850 yds. Lining.

JUNE 5.—Sold E. H. Smith & Co. on their acceptance at 30 days, 75 yds. Moquette, 150 yds. Body Brussels, 600 yds. Linoleum, 429 yds. Oilcloth.

JUNE 5.—Discounted J. G. Carter's note of the 4th inst. at the City Bank, and had net proceeds placed to your credit.

JUNE 5.—Bought of John H. Pray & Co., Boston, net 30, 2/10, 950 yds. Moquette, 892 yds. Body Brussels, 2200 yds. Lining.

JUNE 6.—Paid freight and drayage, $32.10; rent for month of June, $75; books and stationery, $22.50.

JUNE 6.—Bought of James Smith & Co., New York, subject to draft at 10 days, 400 yds. Axminster, 525 yds. Velvet, 984 yds. Tapestry Brussels, 2000 yds. Lining.

JUNE 7.—Sold Reed & Savage, subject to sight draft, less 3%, 145 yds. Axminster, 220 yds. Velvet, 484 yds. Tapestry Brussels. Deduct 3%.

JUNE 8.—Sold Knowles & Johnson, on account, net 30, 2/10, 300 yds. Moquette, 392 yds. Body Brussels, 400 yds. Ingrain, 1200 yds. Lining.

JUNE 8.—Drew a sight draft on Reed & Savage for the amount of invoice sold them 7th inst., less 3%, and had the draft placed to your credit in the City Bank.

JUNE 9.—Paid the invoice in favor of J. H. Pray & Co., received June 2, $2768.75, less 2%.

JUNE 10.—F. H. Walling & Co. paid their bill of June 4th, less 2%.

JUNE 11.—Discounted E. H. Smith & Co's acceptance of June 5th, at the City Bank, and had the net proceeds placed to your credit.

JUNE 12.—Paid James Smith & Co's draft of June 6th, at 10 days from date, for $2252.88, less discount for the unexpired time.

JUNE 12.—Sold F. H. Walling & Co., on their note at 4 months, with interest, 600 yds. Ingrain, 475 yds. Matting, 1200 yds. Lining, less 3%.

JUNE 13.—Bought of John & James Dobson, Philadelphia, net 30, 2/10, 892 yds. Body Brussels, 1225 yds. Tapestry Brussels.

JUNE 14.—Bought of Barton Bros., Philadelphia, net 4 mos., 8/15, 1500 yds. Linoleum, 1400 yds. Oilcloth.

JUNE 15.—Knowles & Johnson sent you, to apply on account, T. H. Sullivan's note in their favor, dated Denver, Colo., May 24, 190–, at 90 days, for $742.28, with interest. Accepted the note and allowed Knowles & Johnson credit for its face and the interest due upon it.

JUNE 15.—Paid John H. Pray & Co. invoice of June 5th, less 2%.

JUNE 16.—Discounted the Sullivan note, received of Knowles & Johnson, at the City Bank, and had the net proceeds placed to your credit. (This is an interest-bearing note.)

JUNE 16.—Sold J. G. Carter & Co., on acct., net 60, 2/10, 600 yds. Linoleum, 480 yds. Oilcloth.

JUNE 17.—Drew for private use, $150.

JUNE 17.—Paid clerks, $75.

JUNE 18.—Sold E. H. Smith & Co., on their acceptance at 30 days, 212 yds. Axminster, 305 yds. Velvet, 250 yds. Tapestry Brussels.

JUNE 18.—Knowles & Johnson paid the balance of their account of June 8th, less 2% of the entire bill.

JUNE 18.—Paid note and interest favor of Barton Bros., due this day.

JUNE 20.—Sold E. B. Alling & Co., net 30, 2/10, 420 yds. Moquette, 280 yds. Body Brussels, 800 yds. Lining.

JUNE 21.—Discounted F. H. Walling & Co's note of June 12th, and received cash for the net proceeds.

JUNE 22.—Bought of John H. Pray & Co., Boston, net 60, 3/10, 897 yds. Moquette 1745 yds. Ingrain, 2400 yds. Lining.

JUNE 23.—Bought of James Smith & Co., New York, sight draft in 10 days, 722 yds Axminster, 941 yds. Velvet.

JUNE 23.—Paid John & James Dobson's invoice of June 13th, less discount.

JUNE 24.—Sold Reed & Savage, on their acceptance at 10 days, less 2%, 400 yds. Moquette, 712 yds. Body Brussels, 1200 yds. Lining. Deduct 2%.

JUNE 25.—Bought of John & James Dobson, Philadelphia, 1892 yds. Body Brussels, 671 yds. Moquette, 3200 yds. Matting.

Gave in payment your note at 4 mos. for one-half the amount of the invoice; the balance on 4 mos. time.

JUNE 26.—Sold Knowles & Johnson, net 4 mos., 2/15, 920 yds. Linoleum, 1220 yds. Oilcloth, 43 yds. Axminster.

JUNE 27.—Sold F. H. Walling & Co., net 30, 2/10, 698 yds. Moquette, 792 yds. Body Brussels, 1500 yds. Lining.

JUNE 28.—Sold E. B. Alling & Co., net 30, 2/10, 390 yds. Moquette, 822 yds. Body Brussels, 975 yds. Tapestry Brussels.

JUNE 29.—Paid Barton Bros.' invoice of 14th, less 8%.

JUNE 30.—E. B. Alling & Co. desired to take advantage of 2% discount on their purchase of June 20th, but being short of money, they sent $1000 to apply on account, with the request that they be allowed discount on their payment.

JUNE 30.—Paid clerks, $75. Paid freight bills to date, $68.92.

INVENTORY.

310 yds. Moquette, 545 yds. Ingrain, 1600 yds. Lining, 722 yds. Axminster, 500 yds. Tapestry Brussels, 678 yds. Body Brussels, 3525 yds. Matting, 700 yds. Oilcloth, 941 yds. Velvet, at cost price; office furniture valued at $225.

COST AND SELLING PRICE LISTS—JUNE EXAMINATION.

Cost.		1	2	3	4	5	6	7	8	9	10
1.87½	Axminster	2.25	2.27	2.26	2.24	2.25	2.28	2.27	2.25	2.30	2.24
1.05	Body Brussels	1.50	1.48	1.49	1.52	1.50	1.48	1.50	1.53	1.48	1.50
.62½	Ingrain	.87½	.87½	.87½	.87½	.87	.87½	.86	.87½	.88	.87½
.06¼	Lining	.09	.08	.10	.08½	.09½	.09	.10	.09	.09½	.09
.67½	Linoleum	.75	.76	.74	.77	.75	.73	.75	.74	.73	.76
.33⅓	Matting	.50	.52	.51	.48	.49	.50	.52	.50	.51	.49
1.12½	Moquette	1.62½	1.62½	1.66⅔	1.62½	1.66⅔	1.67½	1.62½	1.66⅔	1.62½	1.67½
.33⅓	Oilcloth	.45	.43	.44	.42	.45	.43	.44	.45	.46	.42
.66⅔	Tapestry Brussels	.87½	.87½	.87½	.87	.87½	.87½	.87½	.87½	.87½	.87½
1.37½	Velvet	1.67½	1.67½	1.66⅔	1.62½	1.67½	1.66⅔	1.62½	1.67½	1.62½	1.67½

QUESTIONS.

1. What is a draft and what names are given to its parties?
2. What should be the drawer's entry when a draft with three parties is drawn?
3. What should be the payee's entry for a sight draft received?
4. What should be the drawee's entry for a sight draft paid?
5. What should be the drawee's entry for a time draft?
6. What is meant by "Accepting" a draft, and what agreement does it constitute?
7. What should be the payee's entry when a time draft has been accepted?
8. What should be the drawee's entry when he accepts a time draft?
9. When drafts are made for the collection of debts to whose order are they generally payable?
10. What should be the drawer's entry when such a draft is made if it is a sight draft? What entry if it is a time draft?
11. Define a bank draft and explain its use.
12. To whose order should a bank draft be made?
13. How should a bank draft be indorsed?
14. Explain the use of the invoice book.
15. To what account should the footing of the money column of the invoice book be posted? To which side of the account, and why?
16. Explain the use of the bill book.
17. What are articles of copartnership, and how should they be prepared?
18. When should interest be credited?
19. What is meant by a shipment?
20. For what amounts should Shipments account be debited?
21. For what amounts should Shipments account be credited?
22. Under what circumstances would a bank receive a sight draft on deposit? Suppose it were not paid, what would the bank do?
23. When should discount be credited?
24. When should interest be debited?

APPENDIX.

SINGLE ENTRY.

In single entry bookkeeping the ledger contains only accounts with persons, and consequently only such entries as affect personal accounts should appear in a single entry journal; and since there is no equality of debits and credits in single entry bookkeeping, the journal entries will, in most cases, contain only a single debit or credit.

The following is a model of a single entry journal, showing the records which would be made by single entry bookkeeping for the transactions shown in your model journal-daybook on pages 6 and 7.

MODEL SINGLE ENTRY JOURNAL-DAYBOOK.

JANUARY 1, 190–.

	A. H. Harper, Commenced this day the Flour and Grain business, investing $3000 in cash.	Cr.		3000	
5	J. B. Allen, Sold him on account 50 brls. Flour,	Dr. 4.50		225	
6	A. H. Harper, Drew cash for private use.	Dr.		50	
8	J. Grant & Co., Bought of them on account 600 bu. Oats.	Cr. .33		198	
13	J. B. Allen, Received of him cash on account.	Cr.		100	
15	J. Grant & Co., Paid invoice Jan. 8th in cash.	Dr.		198	
25	J. B. Allen, Sold him on account 50 brls. Flour,	Dr. 4.75		237	50

It will be seen, by comparison, that all records of transactions which do not affect personal accounts have been omitted from the single entry journal-daybook; but a cash book should be kept, which may be the same in form as a double entry cash book, or it may be kept like the following model, which records the cash transactions of the model journal-daybook on pages 6 and 7.

MODEL SINGLE ENTRY CASH BOOK.

190–.		CASH.			DR.		CR.	
Jan.	1	Invested,	by A. H. Harper,		3000			
	2	Paid	rent for January,				75	
	3	Bot. of A. H. Roe & Co.,	200 brls. Flour,	3.90			780	
	4	Sold W. D. Leach,	100 " "	4.50	450			
	6	A. H. Harper,	drew for private use				50	
	13	Received of J. B. Allen,	on acct.,		100			
	15	Paid J. Grant & Co.,	invoice 1/8				198	
	31	Paid	salaries to date,				60	
	31	Balance on hand *					2387	
					3550		3550	
Feb.	1	Balance	on hand		2387			

*To be written in red ink.

A record of notes issued and of notes received should be kept in a bill book similar to the ordinary double entry bill book, and these records, with an inventory taken in the usual manner, will enable the bookkeeper to prepare a statement at any time showing the resources and liabilities, the present worth, and the net gain of the business.

Copy on a sheet of journal paper the journal and cash book models. There will be space on one side of the journal sheet for both models. Take a half sheet of ledger paper and post the journal entries the same as in double entry, opening the personal accounts required—A. H. Harper, J. B. Allen, and J. Grant & Co.

The cash book shows the amount of cash on hand, $2387. The inventory of unsold merchandise, if taken Jan. 31st, would show the following goods on hand: 350 brls. flour, valued at $4 per brl.; 300 bu. oats at 33¢ per bu.; 300 bu. rye at 57¢ per bu.

The bill book, if kept, would show a note for $338, in favor of the business, signed by A. B. Frye; and the following notes outstanding—one in favor of Garland & Co. for $571, and one in favor of B. W. Keene for $820.

The ledger shows that J. B. Allen owes $362.50.

From the foregoing data it will be easy to prepare a statement of resources and liabilities according to the following model.

STATEMENT OF RESOURCES AND LIABILITIES, JAN. 31, 190–.

			Resources.	Liabilities.
Cash	on hand, as per C. B.		$ . .	
Bills Receivable	" " " " B. B.		$ . .	
Merchandise	value " " inventory		$ . .	
J. B. Allen	owes on account		$ . .	
Bills Payable	notes outstanding, as per B. B.			$ . .
Present Worth *				$ . .

*To be written in red ink.

Having found the present worth of A. H. Harper, as above, a comparison of his present worth Jan. 31, 190–, with the amount of his investment Jan. 1, 190–, will show his gain or loss, the same as in double entry bookkeeping. Find A. H. Harper's net gain according to the following model.

STATEMENT OF A. H. HARPER'S GAIN.

A. H. Harper's present worth Jan. 31, 190–		3366	50		
" " " investment " 1, 190–		3000			
" " " net gain				366	50

Write the statement of resources and liabilities and the net gain on the first blank page of your journal. Carry the net gain to the credit side of A. H. Harper's account in your ledger, the same as in double entry, and hand the journal with your ledger to your teacher for approval.

It is thought the foregoing illustrations will prove sufficient to enable the student to perform the work required in the following series of transactions, using the single entry journal-daybook, cash book and bill book as records of the business.

If A. H. Harper should desire to change his books from single entry to double entry, he should open an account in his ledger with Cash, carrying to its debit side the amount on hand, *$2387;* also with Bills Receivable, carrying to its debit side *$338;* with Merchandise, carrying to its debit side the amount of the inventory, *$1670;* and with Bills Payable, entering on its credit side the amount of the outstanding notes, *$1391.*

After your papers are approved, make the above entries in the ledger, and take a trial balance, which should give you the following result.

A. H. Harper,				3366	50
Cash,	2387	00			
Bills Receivable,	338	00			
Merchandise,	1670	00			
Bills Payable,				1391	00
J. B. Allen,	362	50			
	4757	50		4757	50

You may assume that under date of Jan. 1st, the present year, you have commenced the retail furniture business with the following investment.

A stock of furniture, valued at $1968.75; office furniture, fixtures and books, valued at $300; cash in the City National Bank, $1245.50.

Enter in the journal and in the cash book. Use the first column of your journal for items, and the second column for the debit or credit amount.

The following is a form to show your journal entry.

Jas. B. Houghton,	Cr.			2210
Commenced the Furniture business, investing as follows:				
Cash in bank, as per C. B.		460		
Furniture valued at		1500		
Office furniture & fixtures		250		

JAN. 1.—Bought of the Grand Rapids Furniture Co., Grand Rapids, Mich., on account, 30 days, furniture as per invoice, $1468.20. (Enter in the journal.)

Paid freight on the above invoice, $62.25. (Enter in cash book only.)

JAN. 2.—Sold Wm. M. Rand, on account, 1 parlor set, $65; 6 dining chairs at $2; 1 extension table, $15. (Enter in the journal, carrying each item into the first money column.)

JAN. 3.—Sold sundry items for cash, as per cash drawer, $104.50. (Enter in cash book only.)

JAN. 4.—Sold Thomas W. Parsons, on account, 12 dining chairs at $1.50; 6 kitchen chairs at 75¢; 1 kitchen table, $2.50.

Sold E. M. Wardner, on account, 1 oak bedroom set, $55; 2 ash bedroom sets at $15; 1 leather couch, $45.

JAN. 5.—Bought of E. M. Farmer & Co., Detroit, merchandise as per invoice, $550. Gave them in payment your note at 30 days for $250; the balance on account, terms 4 mos., less 5% 10 days.

Credit *Farmer & Co.* for the full amount, and debit them for the note. Enter the note in the bill book, the same as in double entry.

Paid freight on the above invoice, $27.50.

JAN. 6.—Paid one month's rent, $60; also paid insurance premium, $30, 1% of insurance policy for $3000 on your stock of furniture.

Sold Thomas Hunter, for cash, 24 cane seated chairs at 75¢; 3 settees at $2.25. (Enter in cash book only.)

Sold Emma B. Sheridan, on account, 12 ash bedroom sets at $25; 12 cotton mattresses at $6; 4 dining tables at $12; 24 dining chairs at $1.50. Received cash, $150, to apply on account. (Debit in the journal for the full amount and credit for cash; also enter cash in the cash book.)

Balance your cash in the cash book, writing the balance, in red ink, in the smaller column. Rule, foot, and bring down the balance to commence the next week.

In actual business the cash should be balanced daily, but in this series of transactions you will balance the cash at the end of each week. Your balance at the end of this week should be $1345.

JAN. 8.—Sold C. H. Stratton, Elm House, 6 hair mattresses at $25; 2 oak bedroom sets at $40; 1 parlor set, $125; 2 French plate mirrors at $15.

Paid Grand Rapids Furniture Co., on account, $500. (Enter in journal and in cash book.)

Sold sundry items for cash, as per cash drawer, $46.50.

JAN. 9.—Sold Wm. M. Rand, on account, 2 oak bedroom sets at $45; 1 cherry bedroom set, $35; 2 hair mattresses at $30; 1 cotton mattress, $6. Received cash on account, $100. (See third transaction under Jan. 6.)

JAN. 10.—Bought of E. F. Higgins & Co., Michigan City, Ind., furniture as per invoice, $498.75.

Paid freight on above invoice, $24.93.

JAN. 11.—Paid cash for books and stationery, $7.50, and for a horse and delivery wagon, $275.

JAN. 12.—Sold Mrs. Edward Leary, on account, 6 ash bedroom sets at $20; 1 extension dining table, $12; 12 cane dining chairs at $1. Received cash to apply on account, $44.

Sold sundry items for cash, as per cash drawer, $28.75.

JAN. 13.—Received of T. W. Parsons cash in full of account, $25. (Journal and cash book.)

Sold Edward Strang, on account, 1 cotton velour covered couch, $18; 1 Morris chair, $12.50; 4 library chairs at $6.50; 1 library table, $30.

Paid for clerk hire, two weeks' salary, $30.

Balance your cash book, and bring down the amount, as on Jan. 6th.

JAN. 15.—Received of C. H. Stratton his note at 60 days, to pay invoice of the 8th inst. (Enter in journal and bill book.)

Paid the balance of E. M. Farmer & Co's invoice of the 5th inst., $300, less 5% of the full invoice for payment in 10 days. Discount, $27.50; cash paid, $272.50. Enter the full amount in the journal; only the net amount in the cash book. Use the following form.

	15					
	E. M. Farmer & Co.,	Dr.				300
	Paid to balance their invoice of Jan. 5th, cash,		272	50		
	5% discount on invoice of $550,		27	50		

Cash sales of merchandise, as per cash drawer, $48.50.

JAN. 16.—Bought of the Grand Rapids Furniture Co. merchandise invoiced at $1262.75.

Paid freight on above invoice, $63.13.

Sold Thomas W. Parsons, on account, 1 oak bedroom set, $75; 1 parlor set, raw silk, $120; 1 library lounge, $18.

JAN. 17.—Paid for advertising, $12.

Paid for shoeing horse, $1.25.

Sold Richard Vose, on account, 1 parlor set, $110; 1 library table, $20; 4 library chairs at $6, 1 screen, $5.50.

JAN. 17.—Cash sales of merchandise, as per cash drawer, $38.75.

JAN. 18.—Bought of E. M. Farmer & Co., Detroit, net 4 mos., 5% 10 days, furniture invoiced at $490.50.

Paid freight on above invoice, $24.50.

JAN. 19.—Bought of J. D. Lansing & Bros., on account, 90 days, 5% 10 days, furniture invoiced at $633.25.

Paid freight on above invoice, $31.66.

Sold Morris Chaney, on account, 1 plate glass beveled mirror, $22.50; 1 leather library chair, $25; 4 jardiniere stands at $1.25.

Cash sales of merchandise, as per cash drawer, $47.75.

JAN. 20.—Sold H. M. Preston, on account, 1 parlor set, plush, $75; 1 oak bedroom set, $45; 1 pillar extension table, $12; six dining chairs at $1.50.

Bought of Phillips Chair Co., Phillipsburg, Ind., net 4 mos., 5% 10 days, furniture as per invoice, $244.75.

Paid freight on above invoice, $12.24.

Paid for hay and oats, $7.50; clerk hire, $20; postage and express charges, $2.50.

Cash sales of merchandise, as per cash drawer, $69.87.

Sold Hunter & Allison, on account, 50 cane seated chairs at $1; 50 school desks, individual lock, at $3.75; 1 teacher's desk, $12.50.

Balance your cash, as on Jan. 6th and 13th.

JAN. 22.—Received of E. M. Wardner, to balance account of Jan. 4th, cash, $30, and his note at 30 days, with interest, $100. (Enter note in bill book.)

Received of Mrs. E. Leary $15, to apply on account.

Cash sales of merchandise, as per cash drawer, $62.

Received of Edward Strang $50, to apply on account.

Sold Emma Sheridan 1 parlor set, silk brocatel, $75; 2 card tables at $2.50, 2 mirrors at $3.

JAN. 23.—Hunter & Allison returned 10 cane seated chairs at $1.

Bought of E. F. Higgins & Co. furniture as per invoice, $235.75.

Paid freight on above invoice, $11.75.

JAN. 24.—Accepted E. F. Higgins & Co's draft at 30 days for amount of invoice of Jan. 10th, $498.75. (Journal and bill book.)

Sold C. H. Stratton & Co., on account, 5 oak bedroom sets at $35; 1 carved sideboard, $80; 6 card tables at $3.

JAN. 25.—Have C. H. Stratton's note of Jan. 15th discounted at the bank, and receive cash for the proceeds. Face of note, $385; discount, 50 days. (Enter the net proceeds in cash book and mark the note paid in bill book.)

Sold E. M. Wardner, on account, 1 library desk, $60; 1 revolving book case, $22 50; 1 revolving chair, $8.

Bought of the Phillips Chair Co. merchandise as per invoice, $192.85.

Paid freight on above invoice, $9.65.

JAN. 26.—Paid Lansing & Bros. for invoice of the 19th, less 5%. (Journal and cash book.)

Cash sales of merchandise, as per cash drawer, $84.60.

JAN. 27.—Received of Hunter & Allison, to balance account of the 20th, cash, $40, and their note at 4 mos., with interest.

Sold Edward Strang, on account, 6 dining chairs at $2.50; 1 pillar extension table, $18; 1 writing table, $6.50. Received on account, $50.

Balance your cash book

JAN. 29.—Sold Richard Vose, on account, 1 Morris chair, leather, $20; 1 rattan rocker, $7.50. Received $50, to apply on account.

Returned to the Phillips Chair Co. 24 cane seated chairs at $1; 6 rockers at $2. These goods were not as ordered.

Cash sales of merchandise, as per cash drawer, $91.40.

JAN. 30.—Paid Phillips Chair Co. for invoice of Jan. 20th, less 5%, $232.51. (Journal and cash book.)

Bought of Lansing & Bros., 4 mos., 5% 10 days, merchandise as per invoice, $498.70, freight prepaid.

Received of H. M. Preston, on account, $75.

Sold Morris Chaney, on account, 1 office desk, roll top, $40; 1 office chair, $6.50.

JAN. 31.—Paid clerk hire to date, $30.

Cash sales, as per cash drawer, $62.87.

Sold Mrs. E. Leary 1 parlor set, $55; 1 beveled mirror, $6.50. Received, to apply on account, cash, $25.

After entering the preceding transactions in your journal and cash book, balance your cash book, and hand it with the journal to your teacher for inspection before posting. After your journal and cash book have been approved, post from the journal to your ledger. Since there is no equality of debits and credits in the journal, of course no trial balance can be taken.

Your inventory shows merchandise on hand, valued at $5040.75; horse and delivery wagon, valued at $275; office furniture, fixtures and books, valued at $275; 11 months' unexpired premium on insurance policy, valued at $27.50.

Find from your ledger the amounts due from personal accounts; from your bill book, the value of notes on hand, also the notes outstanding. From your ledger find the balances due from you to other firms, and using the model on page 198, prepare a statement of resources and liabilities. Your present worth should be $3799.32. Compare this with your investment, and find your gain or loss for the month's work.

LEGAL FORMS.

PARTNERSHIP AGREEMENT.

ARTICLES OF AGREEMENT, made the first day of July, 190–, between Emerson W. Benton and Chas. M. Pelton, both of the city and county of Worcester, and state of Massachusetts, witnesseth as follows:

First. The parties above named have agreed to become copartners together, and by these presents do agree to become partners under the firm name of E. W. Benton & Co., for the purpose of carrying on a commission, shipping and general merchandising business, in the said city of Worcester and state of Massachusetts, from the date of this agreement until such time as the partnership may be legally dissolved.

Second. The said Emerson W. Benton, of the first part, shall contribute the resources of his late business located at #242 South St., as shown by bill of sale executed under even date, less his liabilities, which are to be assumed by the new firm and paid as they become due, making a net investment of Seven Thousand Four Hundred Dollars ($7400). The said Chas. M. Pelton, of the second part, shall contribute cash, $4000, and a shipment of merchandise now in the hands of Geo. M. Howe & Co., of Boston, Mass., invoiced at $2685.75, making a total investment of Six Thousand Six Hundred Eighty-five Dollars and Seventy-five Cents ($6685.75.)

Third. During the continuance of this agreement, the said Emerson W. Benton and the said Chas. M. Pelton shall each give his entire time to the business in which they, by this agreement, become partners.

Fourth. Each partner shall receive interest upon his net investment at the rate of six per cent., the said interest to be deducted from the profits of the business.

Fifth. The gains and losses of the business shall be divided equally between the partners, E. W. Benton and C. M. Pelton.

Sixth. The said E. W. Benton shall attend to the buying and selling of goods and the general management of the store, while the said C. M. Pelton shall have full charge of the books, and shall sign all checks and other negotiable paper of the firm.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals in duplicate the day and year first above written.

EMERSON W. BENTON.
CHARLES M. PELTON.

Signed, sealed and delivered in the presence of

G. E. FRENCH.

DISSOLUTION OF PARTNERSHIP.

In case of a dissolution of partnership, it is customary to send a notice of such dissolution, with the conditions attending it, to each person with whom the firm has had dealings, and also to publish this notice in the newspapers of the city or town in which the firm has conducted its business.

In case of special agreement between the partners regarding the indebtedness of any person, such as occurs in regard to the shipment to T. W. Bowen & Co. at the close of June, the party interested should receive a special notice of such agreement signed by both partners.

NOTICE OF DISSOLUTION OF PARTNERSHIP.

You are hereby notified that the copartnership heretofore existing between H. F. Adams and E. C. Mills under the firm name of H. F. Adams & Co., at Albany, N. Y., is this day dissolved. Accounts due the firm are to be paid to H. F. Adams, and all claims against the firm should be presented to him for payment when due.

Dated Albany, N. Y., June 30, 190–.

H. F. ADAMS.
E. C. MILLS.

BILL OF SALE.

KNOW ALL MEN BY THESE PRESENTS, that I, E. H. Reed, of the city of Worcester, county of Worcester, and state of Massachusetts, of the first part, in consideration of the sum of $6955 to me in hand paid by E. H. Reed & Co., of the county and state aforesaid, parties of the second part, the receipt of which is hereby acknowledged, have bargained and sold, and by these presents do grant and convey unto the said parties of the second part all of the resources of my late business conducted at ♯312 South St., as follows: real estate, valued at $9500; merchandise, as per schedule, valued at $916.55; horses and wagon, valued at $325; furniture and fixtures, valued at $250; also the following balances of accounts due, as per ledger: Theodore Crosby & Co., $129.33; A. W. Noone & Co., $528.44; Public Market Co., $244.60; Geo. H. Tucker & Co., $204.13; City Hotel Co., $250.45; a total of $12348.50; on condition that the said firm of E. H. Reed & Co. shall assume the liabilities of the late business of E. H. Reed, as follows: note in favor of Fischer Flour Co., $845.27, dated June 16th at 30 days, and the following balances of accounts, as per ledger: Russell & Birkett, $426.45; Curtice, Olney & Co., $1326.40; Lutz Bros., $714.50; Gillette & Hennigan, $541.20; a total of $3853.82.

TO HAVE AND TO HOLD the same unto the said parties of the second part and their legal representatives forever.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 16th day of July, in the year of our Lord one thousand nine hundred and ———.

E. H. REED.

ARTICLES OF COPARTNERSHIP.

ARTICLES OF COPARTNERSHIP, made this first day of August, 190–, between Mason L. Decker and Thomas J. Sullivan, of the firm of Decker & Sullivan, of the first part, and Wm. B. Jennings, of the second part, all of the city of Rochester, county of Monroe, and state of New York, witnesseth as follows:

The parties hereunto, having mutual confidence in each other, do this day form with each other a copartnership, under the firm name of Decker, Sullivan & Co., for the purpose of conducting a wholesale dry goods business at ♯242 E. Main St. Rochester, N. Y., under the following terms and conditions, to commence at the date above mentioned and to continue for five years, or until dissolved by mutual agreement.

First. The said parties of the first part shall contribute the resources of their late business, located at ♯242 E. Main St., as per bill of sale executed under even date herewith, less the liabilities, which are to be paid by the new firm, making a net investment of Forty Thousand Six Hundred Sixty-one Dollars and Ninety-four Cents ($40661.94),

each partner's share of said investment being shown by his account in the ledger of Decker & Sullivan. The said party of the second part shall invest Twenty-five Hundred Dollars ($2500) cash.

Second. At all times during the continuance of their copartnership each partner shall give his full time, and use his best endeavors, and to the utmost of his power exert himself for the joint interest, profit, benefit, and advantage of the copartnership.

Third. Mason L. Decker shall receive a salary of One Hundred Fifty Dollars ($150) per month, Thomas J. Sullivan shall receive a salary of One Hundred Twenty-five Dollars ($125) per month, and Wm. B. Jennings shall receive a salary of One Hundred Seventy-five Dollars ($175) per month. These salaries may be drawn from the funds of the business on the first day of each month.

Fourth. At the close of each year, or at such date as the books may be closed, each partner shall be charged with interest at six per cent. on such sums as he may have withdrawn from the business for his personal use from the date such sums were drawn until the date of the closing of the books, and each partner shall receive six per cent. interest on his investment for the same period of time.

It is agreed between the parties aforesaid that no member of the firm shall draw to exceed Two Hundred Fifty Dollars ($250) per month for his personal use.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals in duplicate the day and year first above written.

MASON L. DECKER.
THOMAS J. SULLIVAN.
WM. B. JENNINGS.

Signed, sealed and delivered in the presence of

CHAS. J. FOSTER.

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